



AGENDA

COMMISSION MEETING

June 25, 2015

8:00 a.m.

- | | |
|--|-----------------------------|
| 1) Call to Order | Chair |
| 2) Comments from the Public | Chair |
| 3) Approval of Minutes of Commission Meeting held May 28, 2015 | (Exhibit I)
Chair |
| 4) Assistant Airport Director – Ops/Maintenance Report | M. Cheaney |
| 5) Assistant Airport Director – Planning/Development Report | T. Kitchens |
| 6) Director of Marketing and Public Affairs | J. Wharton |
| 7) Director of Finance & Administration Report | R. Ford |
| 8) Presentation – Airport Art | B. Freeman |
| 9) Closed Session | |
| 10) Executive Director's Report | K. Spirito |
| 11) Approve Amendment to Freedom Aviation Operating Agreement | K. Spirito |
| 12) Officer Selection for 2015-2016 | Chair |

CLOSED MEETING

ACTION: BE IT RESOLVED, that the Commission enter into a Closed Meeting pursuant to the Virginia Freedom of Information Act; Section 2.2-3711.A.

1. Discussion, consideration or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees or employees of any public body.
2. Discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body.
3. The protection of the privacy of individuals in personal matters not related to public business.
4. Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community.
5. Discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected.
6. 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; and consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel.

PENINSULA AIRPORT COMMISSION

MINUTES

May 28, 2015

PRESIDED: James Bourey

The regularly scheduled meeting of the Peninsula Airport Commission was held on Thursday, May 28, 2015 at 8:00 a.m. in the Airport Commission Room at the Newport News/Williamsburg International Airport.

Commissioners present were:

Herbert H. Bateman, Jr., Jim Bourey, LaDonna Finch, Aubrey Fitzgerald, Steve Mallon and George Wallace.

Executive Director

Mr. Ken Spirito

Assistant Airport Director, Operations and Maintenance

Ms. Melissa Cheaney

Assistant Airport Director, Planning and Development

Mr. Ted Kitchens

Director, Marketing and Public Relations

Ms. Jessica Wharton

Director, Finance and Administration

Ms. Renee Ford

Legal Counsel

Mr. Herbert V. Kelly, Jr.

Ms. Robyn Hansen

Executive Assistant

Ms. Rhonda Wissinger

Public in Attendance

Jay Talbert- Talbert & BRight

Nick Patterson- RS&H

Dave Ress- The Daily Press

Joe Frank-David, Kamp & Frank, L.L.C.

Wade Briggs- Dominion Power

Angela Diaz-Jones, Blechman, Woltz and Kelly

COMMENTS FROM THE PUBLIC

Mr. Bert Kelly introduced Angela Diaz, a student at William and Mary that will be interning with Jones, Blechman, Woltz and Kelly for the summer.

Mr. Kelly also reported that Ms. Catherine Westfall, his previous intern, has been hired full time with Jones, Blechman, Woltz and Kelly.

MINUTES OF COMMISSION MEETING HELD APRIL 23, 2015

RESOLVED, that the Peninsula Airport Commission approve the minutes of the Commission meeting held April 23, 2015.

Commissioner Steve Mallon made the motion to adopt the April 23, 2015 minutes. Commissioner Aubrey Fitzgerald seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, LaDonna Finch, Aubrey Fitzgerald Steve Mallon and George Wallace.

ASSISTANT AIRPORT DIRECTOR, OPERATIONS/MAINTENANCE REPORT

Ms. Cheaney, Assistant Airport Director, Operations and Maintenance gave the following report:

AWARD BID FOR TREE HARVEST MANAGEMENT SERVICES

Airport staff has identified undeveloped, wooded areas on airport property that have mature trees that could create airspace obstructions. One section of these trees also abuts the airport security fence. The ability to clearly see the fence line and potential threats in this area is currently obstructed. Clearcutting approximately 3 acres near the fence line and selectively harvesting the other areas outlined in the attached diagram will address both obstruction and security issues. Also, by selectively harvesting certain trees in the area, the remaining trees will have more space to grow and develop.

The airport has contacted the city to address any potential environmental concerns. The trees cut will not be grubbed so land disturbance permits will not be needed. The only requirement will be to protect any drainage inlets that exist.

Proposals were solicited from three forestry companies: Clearwater Environmental and Forestry, American Forest Management, Inc., and Turner Forestry, LLC. Clearwater Environmental and Forestry from West Point, Virginia was selected for this project. Clearwater had the most comprehensive proposal, outstanding references, and also the lowest commission percentage with 6%.

RESOLVED, that the Peninsula Airport Commission award bid for Tree Harvest Management Services to Clearwater Environmental and Forestry.

Commissioner Steve Mallon made the motion to award the bid for Tree Harvest Management Services to Clearwater Environmental and Forestry and Commissioner Aubrey Fitzgerald seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, LaDonna Finch, Aubrey Fitzgerald Steve Mallon and George Wallace.

Ms. Cheaney also reported the following:

On May 12th, there was an accident with a Lear 35 after it had departed Newport News. The pilot immediately reported a problem with the landing gear. The plane turned around and came back to Newport News as a precaution and the gears collapsed at landing and hit two runway lights. There were no injuries. The biggest concern was the aircraft lost 500 gallons of jet fuel. The aircraft was operated by Phoenix Aviation which is a subcontractor of L3 Communications. The Runway had to be closed for two days while an environmental company, CleanHarbors removed 100 tons of dirt that had been polluted with jet fuel. Also, the edge of the asphalt on the runway had been deteriorated. No operations were impacted, as we still had Runway 2-20 operational. The asphalt was repaired and new clean fill was brought in to fill in the areas where the dirt had been polluted. Phoenix Aviation is responsible for all costs associated with the closure. We will get reimbursed from the insurance company. Mr. Spirito stated we will also be reimbursed for all labor that was incurred during this incident.

The Annual Emergency Plan Review and Response was held on Wednesday, May 20th, as a part of our FAA guidelines to hold an annual meeting. We had about 30 participants from the City of Newport News, the City of Hampton, York County and Riverside Hospital. The meeting was very positive and allowed for us to review the response plan with all participants.

ASSISTANT AIRPORT DIRECTOR, PLANNING/DEVELOPMENT REPORT

Mr. Kitchens, Assistant Airport Director, Planning and Development gave the following report:

APPROVE WORK AUTHORIZATION WITH RS&H FOR LAND RELEASE

Mr. Kitchens reported that staff asked Reynolds, Smith and Hills to prepare a scope of work to prepare a Categorical Exclusion for the release of approximately 140 acres of land along Denbigh Boulevard. This land was identified as part of the Master Plan Update as a potential area for non-aeronautical revenue generation.

Through the acceptance of federal grant funds, the PAC is required to follow National Environmental Policy Act of 1969 (NEPA) implementing procedures promulgated by the FAA as part of our request to the FAA to release the land from federal obligations. The FAA has deemed a release of land a Categorical Exclusion which is a simplified environmental determination. The Categorical Exclusion effort will examine NEPA impact categories and result in an updated noise modeling effort to reflect a) a lower level of aircraft operations since the Master Plan base year, b) the change in aircraft mix flying in to the airport and c) a more realistic runway usage pattern. This will allow us to

better determine compatible versus incompatible land-uses within the area.

The cost to perform this work is \$54, 906. This cost will be added to a future negotiated price for fee simple purchase of the land.

RESOLVED, that the Peninsula Airport Commission approve Work Authorization with RS&H for land use.

Commissioner Steve Mallon made the motion to approve the Work Authorization with RS&H for land use. Herbert H. Bateman, Jr. seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, LaDonna Finch, Aubrey Fitzgerald, Steve Mallon and George Wallace.

APPROVE LAND LEASE OPTION WITH DOMINION POWER

Mr. Kitchens reported that staff was approached by Dominion regarding the leasing of 12 acres of land for a solar energy facility (SEF). This is part of Dominion's Solar Partnership Program which is a multi-year pilot program designed to expand Dominion's portfolio of community-based solar energy by studying its impact and assessing its benefits while supporting and encouraging solar energy growth in Virginia.

Under existing enabling legislation, Dominion is authorized to construct and operate up to 30 megawatts of solar facilities on leased rooftops or on the grounds of commercial businesses and public properties throughout Virginia. Dominion's interest at the airport was in regards to two targeted circuits: one along Jefferson Avenue and another along Oriana Road. This option agreement is for the Oriana Road circuit only. The agreement is for two-years and will allow Dominion to complete necessary due diligence on the site, including any engineering studies, re-zoning/site plan approvals and FAA concurrence on solar glare hazard to aircraft operations.

Dominion will own and operate the facility and will receive any and all environmental credits associated with the solar generation.

RESOLVED, that the Peninsula Airport Commission approve Land Lease option with Dominion Power subject to counsel approval.

Commissioner Steve Mallon made the motion to approve the Land Lease option with Dominion Power subject to counsel approval and Commissioner George Wallace seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, LaDonna Finch, Aubrey Fitzgerald, Steve Mallon

and George Wallace.

CLOSED MEETING

BE IT RESOLVED, that the Commission enter into a Closed Meeting pursuant to the Virginia Freedom of Information Act; Section 2.2-3711.A. pertaining to:

Discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body. Specifically, the Commission will discuss the disposition of publicly held real property.

Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community. Specifically, to discuss perspective business in the expansion of existing air service where no previous announcement has been made.

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; and consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel. Specifically, to consult with counsel regarding specific legal matters requiring the provision of legal advice.

Commissioner Aubrey Ftizgerald made the motion, seconded by Commissioner George Wallace to hold a closed meeting.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, LaDonna Finch, Aubrey Fitzgerald, Steve Mallon and George Wallace.

The Commission entered into a Closed Meeting at 8:25 a.m. and reconvened in Open meeting at 9:40 a.m. Upon reconvening, it was

RESOLVED, that to the best of the Commission's knowledge, only public business matters lawfully exempt from open meeting requirements, and only such public business matters as were identified in the motion by which the Closed Meeting was convened, were heard, discussed or considered in Closed Meeting.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, LaDonna Finch, Aubrey Fitzgerald, Steve Mallon and George Wallace.

DISCUSSION WITH JOE FRANK ON BEHALF OF DOMINION POWER

Mr. Joe Frank, Attorney with David, Kamp and Frank, L.L.C. approached the Commission on behalf of Dominion Power to discuss the need for support of a project that would provide a new power source to the Peninsula. Mr. Frank explained that in April of 2016 the Yorktown plant which currently uses two coal burning generators as a power source to the Peninsula, will need to close due to new EPA (Environmental Protection Agency) standards that are not being met. Mr. Frank is working to get an extension to close April 2017 instead of April 2016. If a new power source is not in place at the time of closure, the Peninsula is at risk of losing power 80 days a year or 1 out of 4 days. These power losses would occur during peak times of summer and winter. This will affect area businesses. Dominion Power would like to put power lines above ground across the James River that would transfer power from the Surry plant to the Peninsula. There has been some opposition to this plan by the residents of Kingsmill and James City County. Mr. Wade Briggs, Project Manager of this project explained the urgency of keeping a power supply running to the Peninsula. Mr. Joe Frank stated he is trying to build support of this project from area businesses and asked the Commission to go on record and write a letter to James City County supporting this project. Other companies that have gone on record with their support include the Shipyard, Patrick Henry Mall, Jefferson Lab and Canon.

Mr. Ken Spirito, Executive Director, said the board will consider showing support with a letter and Mr. James Bourey, Chairman suggested the board talk about it in more detail at the next Commission meeting. Mr. Spirito stated he will get more information to bring to the next meeting for discussion.

(Commissioner George Wallace left at 10:09 a.m.)

DIRECTOR OF MARKETING AND PUBLIC RELATIONS

Ms. Jessica Wharton, Director of Marketing and Public Relations gave the following report:

- April passenger numbers were down 15.4%. Norfolk passenger numbers were down 5.4% for the month of April and Richmond passenger numbers were down 3.7% for the month of April.
- FY16 Advertising Budget is currently being worked on
- Website revision-Ms. Wharton stated she will be working on revising our current website.
- Langley Civic Leaders Association will be having a reception this Friday, May 29th at the Air and Space Museum.

DIRECTOR OF FINANCE & ADMINISTRATION

Renee Ford, Director of Finance & Administration gave the following report:

Ms. Ford reported the Airport's revenues were 3% above budget and .2% above April 2014. Our expenditures for April 2015 totaled 8.2% lower than budget and 3% below April 2014.

(Commissioner LaDonna Finch left at 10:13 a.m.)

APPROVE FY16 OPERATING/CAPITAL BUDGET

Ms. Ford presented the proposed operating budget for FY 2016. After discussion, Ms. Ford recommended that the FY 2016 operating budget be approved as presented.

RESOLVED, that the Peninsula Airport Commission approve the proposed operating budget for FY 2016.

Commissioner Herbert H. Bateman, Jr. made the motion to approve the proposed operating budget for FY 2016 and Commissioner Aubrey Fitzgerald seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, Aubrey Fitzgerald and Steve Mallon.

Disclosure to the Peninsula Airport Commission by Herbert H. Bateman, Jr. regarding the budget vote:

- I am an employee of TowneBank
- Pac has a banking relationship with TowneBank
- I do not manage that relationship
- I derive no direct income from the Aforementioned relationship
- I believe that I am able to vote fairly and objectively on this matter.

A copy of Mr. Herbert H. Bateman, Jr.'s disclosure with his signature has been attached.

APPROVE FY16 RATES AND CHARGES POLICY

Ms. Ford presented the FY 16 Rates and Charges Policy and reported that there were two changes that had been made. The changes that were made were an increase per deplaned passenger which is for the FIS (Federal Inspection Station) and the landing fee rate had increased. Ms. Ford recommends the FY16 Rates and Charges Policy be approved as presented.

RESOLVED, that the Peninsula Airport Commission approve the FY16 Rates and Charges Policy as presented.

Commissioner Steve Mallon made the motion to approve the FY16 Rates and Charges Policy as presented and Commissioner Aubrey Fitzgerald seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, Aubrey Fitzgerald and Steve Mallon.

APPROVE VRS RESOLUTION

Ms. Ford reported that we have been phasing in the 5 percent member contribution for employees hired before July 1, 2012 Under Chapter 822 of the 2012 Act of Assembly over a five year period. Ms. Ford recommends that we approve the VRS Resolution as presented.

RESOLVED, that the Peninsula Airport Commission approve the VRS Resolution as presented.

Commissioner Steve Mallon made the motion to approve the VRS Resolution as presented and Commissioner Aubrey Fitzgerald seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, Aubrey Fitzgerald and Steve Mallon.

APPROVE VRS RESOLUTION FOR EMPLOYERS CONTRIBUTION RATE

Ms. Ford reported that three years ago the PAC elected to phase in the 5 percent member contribution for employees hired before July 1, 2012 under Chapter 822 of the 2012 Act of Assembly (SB 497) over a five year period. For fiscal years 2013-2015 we elected a 1% contribution with an offsetting salary increase. This resolution is requiring us to make our election for fiscal year 2016.

PAC must approve the amount of the member contribution that these employees will pay beginning July 1st. PAC must also certify that employees will receive a comparable offsetting salary increase effective July 1st of each year of the phase-in-period. We have included in the fiscal year 2016 budget a 1% increase in salary to offset the increased member contribution required.

Currently PAC is paying 2% of the 5% member contribution. Ms. Ford recommends that the PAC approve the resolution to decrease the employer paid member contribution to 4%.

RESOLVED, that the Peninsula Airport Commission approve the VRS Member

Contribution by Salary Reduction Resolution.

Commissioner Steve Mallon made the motion to approve the VRS Member Contribution by Salary Reduction Resolution and Commissioner Aubrey Fitzgerald seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, Aubrey Fitzgerald and Steve Mallon.

EXECUTIVE DIRECTOR 'S REPORT

Mr. Ken Spirito, Executive Director, gave the following report:

APPROVE ATLANTIC AVIATION LEASE EXTENSION

Mr. Spirito reported that management has met with representatives of Atlantic Aviation and they are prepared to make an investment of over \$612,000 to existing facilities under their leasehold.

Some of the improvements include:

- Roofing Repairs and replacement to 3 hangars and to the offices and FBO terminal.
- Renovations to two hangars
- LED Upgrades to 65 lights in their parking areas and one hangar
- Hangar Door replacement to hangar three

Atlantic Aviation is requesting an additional two years on the base term. The current base term is set to expire on 3/31/2024. Approving this extension will change the base term to 3/31/2026. Mr. Spirito recommends approval of the lease extension.

RESOLVED, that the Peninsula Airport Commission approve the Atlantic Aviation Lease Extension.

Commissioner Aubrey Fitzgerald made the motion to approve the Atlantic Aviation Lease Extension and Commissioner Steve Mallon seconded the motion.

Voting yes were:

Herbert H. Bateman, Jr., Jim Bourey, Aubrey Fitzgerald and Steve Mallon.

Mr. Spirito also reported that we are moving forward steadily with our Consolidated Checkpoint Project and will continue to move forward in two phases. As we move forward, we will be presenting Construction Documents to the board for consideration at the July Commission Meeting.

DISCUSS OFFICER SELECTION FOR 2015-2016

Mr. Bourey appointed Commissioner LaDonna Finch and Commissioner George Wallace to serve on a Committee for PAC Officer Selection for the 2015-2016 year.

ADJOURNED

There being no further business, the meeting was adjourned at 10:22 a.m.

NEXT MEETING

The next meeting of the Peninsula Airport Commission will be held on Thursday, June 25, 2015 at 8:00 a.m. in the Commission Room.

Disclosure Peninsula Airport Commission

MAY 28, 2015

Budget


I am an employee of TownBank.

PAC has a banking relationship with TownBank.

I do not manage that relationship.

I derive no direct income from the aforementioned relationship.

I believe that I am able to vote fairly and objectively on this matter.


HERBERT H. BOTEAMAN, JR.

5/28/2015

DATE

**PENINSULA AIRPORT COMMISSION
NEWPORT NEWS / WILLIAMSBURG INTERNATIONAL AIRPORT
MONTHLY ACTIVITY REPORT**

May-15

TOTAL PAX

(enpl. + depl.)	May-15	May-14	% CHG	MKT SHR 2015	MKT SHR 2014
Delta	13,937	15,278	-8.8%	36.9%	36.5%
US Air	23,872	20,076	18.9%	63.1%	48.0%
Frontier	0	3,512	-100.0%	0.0%	8.4%
Allegiant	0	2,898	-100.0%	0.0%	6.9%
Charter	0	94	-100.0%	0.0%	0.2%
TOTAL	37,809	41,858	-9.7%	100.0%	100.0%

YOY PAX	6/14-5/15	6/13-5/14	% CHG	MKT SHR 2015	MKT SHR 2014
Delta	152,179	171,064	-11.0%	30.2%	33.9%
US Air	259,290	268,402	-3.4%	51.4%	53.1%
Frontier	33,147	39,934	-17.0%	6.6%	7.9%
Allegiant	6,857	23,299	-70.6%	1.4%	4.6%
PEOPLExpress	51,754	0	100.0%	10.3%	0.0%
Charter	889	2,551	-65.2%	0.2%	0.5%
TOTAL	504,116	505,250	-0.2%	100.0%	100.0%

YTD PAX	2015 YTD	2014 YTD	% CHG	MKT SHR 2015	MKT SHR 2014
Delta	58,244	66,303	-12.2%	36.3%	35.1%
US Air	101,179	98,542	2.7%	63.1%	52.1%
Frontier	813	12,701	-93.6%	0.5%	6.7%
Allegiant	0	10,072	-100.0%	0.0%	5.3%
PEOPLExpress	0	0	0.0%	0.0%	0.0%
Charter	232	1,389	0.0%	0.1%	0.7%
TOTAL	160,468	189,007	-15.1%	100.0%	100.0%

FLIGHT OPS			12 Months	12 Months	YOY % CHANGE
	May-15	May-14	To-Date 2015	To-Date 2014	
GA	4,316	4,717	57,897	47,331	22.3%
Air Carrier	967	1,130	13,916	13,562	2.6%
Itinerant Mil	906	1,187	10,003	13,549	-26.2%
Local Mil	1,990	1,445	14,768	14,566	1.4%
TOTAL	8,179	8,479	96,584	89,008	8.5%

MONTHLY SCHEDULED

SEAT CAPACITY	May-15	May-14	% CHG
TOTAL	42,740	47,065	-9.1%

YTD SCHEDULED

SEAT CAPACITY	2015 YTD	2014 YTD	%CHG
TOTAL	201,828	238,848	-15.5%



TO: Peninsula Airport Commission

FROM: E. Renee Ford

DATE: June 25, 2015

RE: May 2015 Financial Highlights

The Airport reported a net gain of \$142K for the month against a budgeted gain of \$70K and last May's gain of \$134K. Revenues totaled \$776K, \$101K or 14.9% above budget and \$83K or 12% above last May. Our expenditures this month totaled \$635K, \$29K or 4.7% higher than budget and \$76K, or 13.5% below last May. The highlights for this month's results are as follows:

❖ **Actual vs. Budgeted Revenues**

- Airfield revenues were \$67K or 56.8% above budget due to the state reimbursement totaling \$63K for the airfield painting project.
- Terminal revenues were \$19K or 27.3% higher than budget as a result of receiving \$15K for participation in the energy curtailment program.
- Administrative revenues exceeded the budget by \$11K as a result of the reimbursement of \$12K for airport personnel's involvement in the May 12th airfield incident.

❖ **Actual vs. Prior Year Revenue**

- Airfield revenue landed \$77K, or 71.9% higher than last May as a result of state maintenance reimbursement of the airfield painting this May.
- Administrative revenue increased \$10K compared to last May as a result of airport personnel's involvement in the May 12th airfield incident.

❖ Actual vs. Budgeted Expenditures

- Total expenditures were unfavorable \$29K or 4.7%. This was a result of the Airfield painting maintenance project that totaled \$79K. This project is reimbursed partially by the state as reference above. All other major expense categories were favorable including advertising & marketing-\$20K, labor & benefits-\$11K, maintenance-\$13K, and Supplies \$3K. Our utilities expense was comparable to last May's budget.

❖ Actual vs. Prior Year Expenditures

- Overall expenditures were \$76K or 13.5% greater than last May as a result of the Airfield painting maintenance project. The following categories were favorable year over year: advertising & marketing \$13K, fuel \$4K, and supplies \$2K. Maintenance was unfavorable \$8K year over year due to timing of quarterly maintenance and chiller repairs. Labor & benefits and utilities were comparable to last May.

There is \$3.9M in unrestricted cash and \$207K in outstanding FAA reimbursements for the Consolidated Security Checkpoint Design and Taxiway A Rehabilitation.

**PENINSULA AIRPORT COMMISSION
INCOME STATEMENT SUMMARY
MAY 2015**

	ACTUAL	BUDGET	VARIANCE	% VAR	PRIOR YR	VARIANCE	% VAR	ACTUAL YTD	BUDGET YTD	VARIANCE	% VAR	PRIOR YR YTD	VARIANCE	% VAR
REVENUE														
AIRFIELD	\$183,914	\$117,301	\$66,612	56.8%	\$107,001	\$76,913	71.9%	\$1,313,895	\$1,232,437	\$81,458	6.6%	\$1,242,711	\$71,184	5.7%
TERMINAL	\$89,945	\$70,647	\$19,299	27.3%	\$83,638	\$6,308	7.5%	\$770,279	\$734,993	\$35,286	4.8%	\$714,551	\$55,729	7.8%
LANDSIDE	\$422,531	\$412,225	\$10,306	2.5%	\$429,507	(\$6,975)	-1.6%	\$4,467,744	\$3,980,275	\$487,469	12.2%	\$4,105,943	\$361,801	8.8%
OTHER RENTS	\$31,835	\$35,942	(\$4,107)	-11.4%	\$33,292	(\$1,457)	-4.4%	\$400,834	\$449,534	(\$48,699)	-10.8%	\$512,337	(\$111,503)	-21.8%
TRAILER PARK	\$35,366	\$37,917	(\$2,551)	-6.7%	\$36,175	(\$809)	-2.2%	\$414,062	\$417,083	(\$3,021)	-0.7%	\$418,705	(\$4,643)	-1.1%
ADMINISTRATIVE	\$12,709	\$1,583	\$11,126	702.7%	\$2,298	\$10,411	453.1%	\$87,270	\$42,417	\$44,854	105.7%	\$43,266	\$44,005	101.7%
MAINTENANCE	\$0	\$0	\$0	0.0%	\$1,011	(\$1,011)	-100.0%	\$904	\$0	\$904	0.0%	\$1,211	(\$307)	-25.4%
TOTAL REVENUE	\$776,300	\$675,615	\$100,686	14.9%	\$692,921	\$83,379	12.0%	\$7,454,988	\$6,856,738	\$598,250	8.7%	\$7,038,723	\$416,265	5.9%
EXPENDITURES														
AIRFIELD	\$156,935	\$83,351	\$73,584	88.3%	\$73,018	\$83,916	114.9%	\$905,522	\$904,813	\$708	0.1%	\$877,186	\$28,336	3.2%
TERMINAL	\$132,351	\$152,566	(\$20,215)	-13.2%	\$143,998	(\$11,647)	-8.1%	\$1,546,092	\$1,653,686	(\$107,594)	-6.5%	\$1,566,439	(\$20,347)	-1.3%
LANDSIDE	\$42,636	\$45,438	(\$2,801)	-6.2%	\$41,627	\$1,010	2.4%	\$500,227	\$513,635	(\$13,408)	-2.6%	\$553,333	(\$53,105)	-9.6%
OTHER RENTS	\$26,964	\$25,517	\$1,446	5.7%	\$24,610	\$2,353	9.6%	\$296,872	\$300,033	(\$3,160)	-1.1%	\$295,152	\$1,720	0.6%
TRAILER PARK	\$30,965	\$30,437	\$527	1.7%	\$29,802	\$1,163	3.9%	\$353,542	\$355,983	(\$2,440)	-0.7%	\$361,454	(\$7,912)	-2.2%
ADMINISTRATIVE	\$181,787	\$199,119	(\$17,332)	-8.7%	\$182,848	(\$1,061)	-0.6%	\$2,586,909	\$2,301,519	\$285,390	12.4%	\$2,558,878	\$28,031	1.1%
MAINTENANCE	\$32,129	\$36,200	(\$4,071)	-11.2%	\$31,066	\$1,063	3.4%	\$345,621	\$405,013	(\$59,392)	-14.7%	\$376,078	(\$30,457)	-8.1%
BOND DEBT	\$30,890	\$33,370	(\$2,480)	-7.4%	\$32,045	(\$1,155)	-3.6%	\$349,387	\$366,630	(\$17,243)	-4.7%	\$365,223	(\$15,835)	-4.3%
TOTAL EXPENDITURES	\$634,657	\$605,998	\$28,659	4.7%	\$559,014	\$75,642	13.5%	\$6,884,173	\$6,801,313	\$82,860	1.2%	\$6,953,742	(\$69,569)	-1.0%
TOTAL NET REVENUE	\$141,644	\$69,617	\$72,027	103.5%	\$133,907	\$7,737	5.8%	\$570,815	\$55,426	\$515,389	929.9%	\$84,981	\$485,834	571.7%
DFC's (LANDSIDE)	\$118,397	\$110,800	\$7,597	6.9%	\$115,932	\$2,465	2.1%	\$1,150,122	\$1,011,100	\$139,022	13.7%	\$1,053,936	\$96,186	9.1%
RAC COMMISSIONS	\$122,218	\$120,700	\$1,518	1.3%	\$129,608	(\$7,390)	-5.7%	\$1,207,022	\$1,025,600	\$181,422	17.7%	\$1,094,304	\$112,718	10.3%

**PENINSULA AIRPORT COMMISSION
OPERATING BALANCE SHEET
AS OF MAY 31, 2015**

Current Assets:

Cash	\$2,138,268	
Investments	\$1,157,740	
PFC Funds	\$406,662	
Net Accounts Receivable	\$546,991	
Advance/Prepays/Inventory	\$120,594	
Security Deposits	\$27,792	
Note INT FND	\$409	
Total Current Assets		\$4,398,457

Net Fixed Assets		\$108,350,996
Due From City of Newport News-Long Term		\$0
Other Assets - Net Unamortized Bond Costs		\$0
Total Assets		\$112,749,453

Current Liabilities:

Accounts Payable	\$41,453	
Accrued Payroll & Benefits	\$458,006	
Employee FSA Reimbursement	\$183	
Payroll Taxes	\$8,195	
Rent & Other Deposits	\$27,792	
Police Funds (Federal Shared)	\$4,015	
Total Current Liabilities:		\$539,644

Long-Term Liabilities:

VRA Bond Payable (\$2.5MM)	\$1,544,573	
AIP Bond Payable-Towne Bank (\$7MM)	\$5,415,515	
AIP Bond Payable-Towne Bank (\$3MM)	\$2,420,142	
OPEB Liability	\$3,752,331	
Total Long-Term Liabilities		\$13,132,561

Other Liabilities - Deferred Income/Outflows		\$0
Total Liabilities		\$13,672,205

Capital:

Capital Contributions	\$98,099,771	
Passenger Facility Charges	\$406,662	
YTD Earnings	\$570,815	
Total Capital		\$99,077,248
Total Liabilities & Capital		\$112,749,453

**PENINSULA AIRPORT COMMISSION
STATUS OF CASH AND INVESTMENTS
AS OF MAY 31, 2015**

PFC Funds	\$	406,662	
Capital (State Entitlements) ^^	\$	(642,557)	
Money Market (Restricted)	\$	-	
State Entitlements	\$	-	
Equitable Share	\$	4,015	
Total Restricted Cash			\$ (231,879)
Operating Cash	\$	1,268,294	
Capital (Unrestricted)	\$	1,493,274	
Money Market (Unrestricted)	\$	1,157,740	
Payroll & Other	\$	15,242	
Total Unrestricted Cash			\$ 3,934,549.69
Total Cash			\$ 3,702,671
Investments			\$ -
Total Cash & Investments			\$ 3,702,671
Total Unrestricted Cash & Investments	\$	3,934,550	

*PFC's Collected as of 05/19/15 - \$7,481,233
 *PFC Reimbursements to date - \$7,047,974
 Total Available - \$433,259

Pending FAA Reimbursements:			
Taxiway A, B, C Rehab Construction	\$	201,014	
SSCP Design	\$	6,146	
			\$ 207,160

^^ Projects funded with unrestricted funds

STATUS OF PFC COLLECTIONS

ACCOUNT #31010.000.00

AS OF: MAY 2015

APPLICATION 1 CARRY OVER		\$	549,878	
APPLICATION 2 COLLECTIONS	\$	20,114,239	\$	6,904,759
APPLICATION 3 COLLECTIONS	\$	18,017,555	\$	-
TOTAL COLLECTIONS:	\$	38,131,794	\$	7,454,636

CAPITAL PROJECT	WBS#	PFC #	PFC AMOUNT	REIMBURSED	REMAINING REIMBURSEMENT	
RUNWAY 7/25 REHABILITATION (Design & Construction)		PWE 2.1	\$ 5,900,110	\$ 2,501,450.00	\$ 3,398,660	
RUNWAY 25 RSA (Design)		PWE 2.2	\$ 63,698		\$ 63,698	
AIRPORT SIGNAGE		PWE 2.3	\$ 83,089	\$ 83,089.00	\$ -	closed
TERMINAL A CONCOURSE DESIGN/CONSTRUCTION		PWE 2.4	\$ 1,921,010	\$ 161,050.17	\$ 1,759,960	
OBSTRUCTION REMOVAL		PWE 2.5	\$ 112,800	\$ 112,800.00	\$ -	closed
PFC APPLICATION DEVELOPMENT		PWE 2.6	\$ 58,000	\$ 57,868.81	\$ -	closed
TERMINAL CONCOURSE JET BRIDGES (4)		PWE 2.7	\$ 87,620	\$ 78,000.00	\$ -	closed
AIRPORT MASTER PLAN UPDATE		PWE 2.8	\$ 78,766	\$ 81,375.68	\$ -	closed
TERMINAL BLDING REHAB & PUBLIC CIRC IMPROVEMENTS	C02-001	PWE 2.9	\$ 6,000,000	\$ 1,362,143.04	\$ 4,637,857	
FIDS/BIDS/GIDS		PWE 2.10	\$ 128,141	\$ 118,927.00	\$ -	closed
AIRSIDE SWEEPER		PWE 2.11	\$ 5,025	\$ 5,000.00	\$ -	closed
WILDLIFE MITIGATION		PWE 2.12	\$ 3,450	\$ 2,000.00	\$ -	closed
PFC PROGRAM ADMINISTRATION	029-01	PWE 2.13	\$ 80,000	\$ 50,620.04	\$ 29,380	
AIRFIELD LIGHTING UPGRADE (CONSTRUCTION)		PWE 2.14	\$ 240,000	\$ 106,179.98	\$ 133,820	
REHABILITATE TAXIWAYS A, B, & C (DESIGN)	SEE PWE 3.4	PWE 2.15	\$ -		\$ -	
OPS/SECURITY VEHICLE		PWE 2.16	\$ 20,000		\$ 20,000	
SRE MAINTENANCE FACILITY (DESIGN & CONSTRUCTION)		PWE 2.17	\$ -		\$ -	
REHABILITATE TAXIWAYS A, B, & C (CONSTRUCTION)	SEE PWE 3.5	PWE 2.18	\$ -		\$ -	
FIS FINISH		PWE 2.19	\$ 5,297,530	\$ 1,311,665.33	\$ 3,985,865	
ARFF VEHICLE		PWE 2.20	\$ 35,000	\$ 38,945.00	\$ -	closed
TAXIWAY "A" & RUNWAY 7/25 LIGHTING (DESIGN)		PWE 3.15	\$ 21,250	\$ 10,739.70	\$ -	closed
WETLANDS MITIGATION		PWE 3.2	\$ 80,100	\$ 16,098.00	\$ 64,002	
TAXIWAY "A" REHAB (DESIGN)		PWE 3.3	\$ 26,316	\$ 24,152.52	\$ 2,163	closed
TAXIWAY "A" REHAB (CONSTRUCTION)		PWE 3.4	\$ 1,452,511	\$ 541,279.97	\$ 911,231	
OUTBOUND BAGGAGE HANDLING SYSTEM REPLACEMENT		PWE 3.5	\$ 1,000,000		\$ 1,000,000	
SRE EQUIPMENT		PWE 3.6	\$ 1,001,278	\$ 234,798.00	\$ 766,480	
BAGGAGE CLAIM EXPANSION (DESIGN)		PWE 3.7	\$ 821,600	\$ 39,881.44	\$ 781,719	
BAGGAGE CLAIM EXPANSION (CONSTRUCTION)		PWE 3.8			\$ -	Impose Only
CONSOLIDATED SECURITY CHECKPOINT (PLAN/DESIGN)		PWE 3.9	\$ 283,000	\$ 86,682.95	\$ 196,317	
CONSOLIDATED SECURITY CHECKPOINT (CONSTRUCT)		PWE 3.11	\$ -		\$ -	Impose Only
PFC APPLICATION DEVELOPMENT	S403004	PWE 3.13	\$ 36,500	\$ 23,227.41	\$ 13,273	
PFC APPLICATION ADMINISTRATION	S403002	PWE 3.14	\$ 45,000		\$ 45,000	
					\$ -	
					\$ -	
					\$ -	
TOTALS			\$ 24,881,794	\$ 7,047,974	\$ 17,833,820	

PFC BALANCE

\$ 406,662

EXECUTIVE SUMMARY

Subject: Freedom Aviation Operating Agreement Amendment

Background:

Freedom Aviation has experienced significant growth at PHF since the commencement of their flying school operation in December 2013. Freedom would like to grow their presence at PHF by offering commercial maintenance services.

Discussion:

Freedom Aviation will be relocating their operation from the current hangar at Atlantic Aviation to Hangar 3 (PAC owned hangar leased to Atlantic Aviation). This relocation will allow Freedom to expand its services and provide commercial maintenance services. Their goal is to offer a full FAR Part 145 repair station. They will go through the process of obtaining its certification for the PHF operation. In the meantime, they will perform all services under the FAA guidelines that are required to obtain the certificate.

I am working with Freedom management to submit the necessary insurance certificate to cover the new maintenance services. I am asking the PAC to approve an amendment (pending legal review) to the existing operating permit to include maintenance services.

Budget Impact:

PAC requires 2% of gross sales. Revenue impact is unknown since its market driven.

EXECUTIVE SUMMARY

Subject: Support of Dominion Upgrade Proposal

Background:

As you know, Joe Frank presented to the PAC last month and asked the PAC to support the proposed Dominion upgrade, including the construction of a switch station in James City County. Joe asked the PAC to send a letter of support to the Corps of Engineers.

Discussion:

I have included a draft letter of support for your review. No action is needed; however, we will discuss this in open session under my report.

Budget Impact:

NONE

June 26, 2015

Colonel Paul Olsen,
U.S. Army Corps of Engineers
Norfolk District
803 Front Street
Norfolk, Virginia 23510

Dear Col. Olsen:

I am writing on behalf of the Peninsula Airport Commission (the "Commission"), a political subdivision of the Commonwealth of Virginia, which owns and operates the Newport News/Williamsburg International Airport (the "Airport"). The Airport is one of two commercial airports serving Hampton Roads. Our catchment area includes primarily the Cities of Newport News, Hampton, Williamsburg and Poquoson as well as the counties of York, James City, Isle of Wight, Gloucester and Matthews. However, our customers also come from the Southside of Hampton Roads and eastern North Carolina. The airlines that serve our communities are Delta Air Lines and U.S. Airways/American Airlines, providing service to Atlanta, Charlotte and Philadelphia providing connections throughout the world. We have a significant USO facility at the Airport to serve the needs of the many military members and their families who fly in and out of the Airport on a daily basis. We are a major corporate citizen in Hampton Roads providing well over \$375,000,000 in economic impact according to the latest study conducted by the Commonwealth of Virginia. With this significant human capital and financial investment that we have made in the region in mind, I am writing to respectfully request your assistance in bringing the permit process for the Dominion Virginia Power Surry-Skiffes Creek-Wheaton project to conclusion. I appreciate the rigor of the Army Corps of Engineers' review, which began in March 2012. However, the need for the project to be in-service by early 2017 necessitates bringing closure to this review at the earliest possible date.

Reliable electric utility service is an essential pre-condition for the Airport to operate uninterrupted service to the communities we serve. Routine service reliability has never been a question in Virginia, and I would ask that you do your utmost to prevent this positive situation from changing. The Commission views with alarm the possibility of multiple rotating blackouts in the Peninsula region of Hampton Roads if this project is not in-service by early 2017. This project has been approved by the Commonwealth of Virginia's oversight authority for projects like this, the State Corporation Commission (the "SCC") and its findings, and conclusions are set forth in its Order entered on November 26, 2013, which we believe clearly sets forth the need, the alternatives considered and the impacts. Not knowing whether the USCOE has seen this very comprehensive analysis, we enclose a copy of a portion of that Order that we believe provides a good summary of the issues and conclusions (enclosed as Exhibit 1).

The Supreme Court of Virginia in its Opinion entered on April 16, 2015, in reviewing the SCC Order, ruled that:

"Considering this record, we cannot say that the Commission erred in concluding that the proposed route for the Surry-Skiffes Creek Line across the James River reasonably minimizes the line's adverse impacts. As the Commission observed, "[p]lacing a project in a particular location involves impacts but also avoids impacts associated with a different location." Here, the record is not without evidence to support the Commission's choice of location for the route in light of all competing considerations under the governing legal standards - including but not limited to adverse impacts on the scenic assets, historic districts and environment of the affected area."

As you know, the USACOE decision is a critical piece in allowing this urgently needed and time critical project to get underway so as to allow for uninterrupted electrical service here on the Virginia Peninsula by April of 2017, the final deadline for closure of the two coal burning generating facilities at Yorktown. The construction time required for the project is twenty (20) months. So time is of the essence. The loss of reliable service would be unacceptable for the business climate that we all hope to maintain and build upon. It would not only hamstring current operations on the Peninsula, it would also be significant barrier to efforts to attract more air service to the region.

The Airport is committed to environmental stewardship and sustainability. That said, I would ask that you remain mindful of the needs of the businesses (including the numerous schools, hospital [including the VA Hospital in Hampton] and other medical facilities, federal and military facilities [including Jefferson Lab, NASA Langley, Langley Air Force Base, Fort Eustis, Yorktown Naval Weapons Station and the Coast Guard Base at Yorktown]) and residents on the Peninsula and our collective, critical need for reliable service from our electric utility.

Thank you for considering our comments on this important project.

Sincerely,

Ken Spirito, Executive Director

cc: The Honorable Terrence R. McAuliffe
The Honorable Timothy M. Kaine
The Honorable Mark R. Warner

Exhibit 1
Excerpt from
Order of the State Corporation Commission
entered November 26, 2013

Pages 2 - 9 and 17-68 intentionally deleted.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, NOVEMBER 26, 2013

CLERK'S OFFICE
REGISTRATION CONTROL CENTER
2013 NOV 26 P 1:44

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY
d/b/a DOMINION VIRGINIA POWER

CASE NO. PUE-2012-00029

For approval and certification of electric facilities:
Surry-Skiffes Creek 500 kV Transmission Line,
Skiffes Creek-Wheaton 230 kV Transmission Line, and
Skiffes Creek 500 kV-230 kV-115 kV Switching Station

ORDER

On June 11, 2012, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion" or "Company") filed with the State Corporation Commission ("Commission") an application for approval and certification of an electric transmission project, or for approval and certification of an alternative transmission project ("Application"). Dominion's proposed project and its proposed alternative project are described in turn below.

In its Application, Dominion proposed to construct: (a) approximately 7.4 miles of new overhead 500 kilovolt ("kV") electric transmission line from the Company's existing 500 kV-230 kV Surry Switching Station in Surry County to a new 500 kV-230 kV-115 kV Skiffes Creek Switching Station in James City County ("Surry-Skiffes Creek Line");¹ (b) the Skiffes Creek Switching Station; (c) approximately 20.2 miles of new 230 kV line, in the Counties of James City and York and the City of Newport News, from the proposed Skiffes Creek Switching Station to the Company's existing Wheaton Substation located in the City of Hampton ("Skiffes Creek-Wheaton Line"); and (d) additional facilities at the existing Surry Switching Station and Wheaton Substation. The Surry-Skiffes Creek Line, the Skiffes Creek Switching Station, the

¹ In September 2012, Dominion filed supplemental testimony estimating the length of its proposed route at 8.0 miles. *See, e.g.*, Ex. 38 (Harper supplemental direct).

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Ledbetters; ODEC; Charles City County; and the Environmental Respondents. Additionally, the Colonial Williamsburg Foundation (the "Foundation"), which participated as a public witness in this proceeding, filed comments on the Hearing Examiner's Report.

On September 10, 2013, Dominion filed an objection to the Foundation's comments, asserting that the Commission's Rules of Practice and Procedure ("Rules") and Order for Notice and Hearing in this proceeding do not permit public witnesses to file comments on the Hearing Examiner's Report. The Foundation did not file a reply.

On October 16, 2013, James City County filed a motion with the Commission for leave to supplement the record in this proceeding to include comments prepared by the National Park Service ("NPS") to the United States Army Corps of Engineers. On October 23, 2013, Dominion filed a response opposing James City County's motion. On October 25, 2013, James City County filed a reply.

NOW THE COMMISSION, having considered this matter, is of the opinion and finds that the Proposed Project, using the James River crossing identified as Variation 4, is required by the public convenience and necessity, subject to the findings and conditions contained in this Order.

The Commission understands the importance of this case to the many people who cherish Virginia's historical and natural assets and to those who depend on the reliable electric service so critical to Virginia's economic strength, safety, and quality of life. The Commission takes seriously its responsibility, under the Code of Virginia, to determine whether the public convenience and necessity require the construction of transmission lines in the Commonwealth. This is one of the most important responsibilities that the General Assembly has entrusted to the Commission because of the many impacts from constructing – or from not constructing –

transmission lines. Ultimately, the Commission must base its decision on the law as applied to the factual record of the case. That is what we have done herein, as will be explained in detail below. The evidence is clear that the Proposed Project is necessary to continue reliable electric service to the hundreds of thousands of people who live and work across this broad region of Virginia.

It is because of the many impacts associated with transmission lines that the Commission first evaluates whether a proposed transmission line is, in fact, needed. Before approving transmission line construction, landowners, communities, and rate-paying residents and businesses in the Commonwealth expect and deserve assurance that a new line is actually needed.

Determining whether a proposed transmission line or other electric infrastructure, such as a generation facility, is needed often requires analysis of complex engineering evidence. Substantial engineering analysis was evaluated in this case. This evidence allowed us to determine not only whether a need for additional infrastructure exists, but also the magnitude and timing of any such need. A need that is severe and fast approaching, as detailed engineering evidence supports in this case, may require a solution different than if a need is more modest and further in the future.

The reliability risks presented in this case are far reaching and significant. Engineering studies in this case show that when Dominion's transmission system is stress-evaluated under federal and Virginia requirements, a number of transmission system overloads result. These overloads, which appear under the reasonable contingency conditions modeled in this case, identify a broad swath of the Commonwealth where the loss of electric service can be expected as early as 2015 unless Dominion's electric system is reinforced.

The identified overloads affect the following 14 counties and 7 cities, which are referred to collectively herein as the "North Hampton Roads Area": the counties of Charles City, James City, York, Essex, King William, King and Queen, Middlesex, Mathews, Gloucester, King George, Westmoreland, Northumberland, Richmond, and Lancaster; and the cities of Williamsburg, Yorktown, Newport News, Poquoson, Hampton, West Point, and Colonial Beach. Studies evaluating further stresses to Dominion's transmission system reveal cascading outages spreading from the North Hampton Roads Area into northern Virginia, the City of Richmond, and North Carolina absent alleviation. Dozens of engineering studies in this case, which have been independently verified by our Staff, demonstrate that significant reliability risks exist as early as 2015.

The complexity of transmission line proceedings does not end with an evaluation of need. If a need is established, the Commission may consider different ways of addressing that need. In doing so, the Commission weighs many types of impacts associated with infrastructure construction, including the effects on electric system reliability, economic development, the environment, scenic assets, historic districts, and ratepayers. Often these various factors are at odds with each other. Different projects or transmission routes can also involve tradeoffs among factors, including competing environmental considerations. Placing a project in a particular location involves impacts but also avoids impacts associated with a different location.

Given all the competing considerations and tradeoffs that must be considered, the Commission weighs carefully the relevant expected impacts of alternatives before ruling on a public utility's request for a certificate of public convenience and necessity to construct a transmission facility. Among the competing considerations that participants to this case addressed extensively were impacts on: environmental resources, including historic and scenic

assets; landowners; system reliability; and the customers who ultimately pay the costs of electric infrastructure. Although a more detailed analysis of our decision will be included in subsequent sections of this Order, the Commission addresses, at the outset, some of the evidence that was central to this case.

The Commission has considered the environmental impact of transmission lines, including the impact of overhead transmission on viewsheds from the James River and various locations in the vicinity of the Proposed Project. The Commission has also considered all record evidence that highlights the Historic Triangle of Jamestown, Williamsburg, and Yorktown – the importance of which extends well beyond the borders of this Commonwealth.¹⁴ The Commission cannot ignore, however, the change that has transpired from colonial times to date in the area where the Proposed Project would cross the James River.¹⁵ In the vicinity of the Proposed Project's route today are neighborhoods, multiple military installations, theme parks, a marina, a jail and detention center, and a supermarket distribution center, among other businesses and developments. All these developments depend on the same reliable electric grid to maintain the quality of life, health, safety, and prosperity to which our Commonwealth and our nation are accustomed.¹⁶

Numerous electrical alternatives have been offered, explored, and developed for our consideration – many at the suggestion of Staff, the Hearing Examiner, and James City County,

¹⁴ As discussed below, we have also fully considered record evidence highlighting the environmental, scenic, and historic impacts of the Chickahominy Alternative Project.

¹⁵ The Proposed Project would not be visible from most of Jamestown Island, including James Fort. *See, e.g.*, Ex. 124 (Lake rebuttal) at 9; Ex. 83 (McCoy), Attached Exhibit WDM-1 at 17-19; Ex. 118 (Harper rebuttal) at Rebuttal Schedule 1, 2.

¹⁶ *See, e.g.*, Ex. 50 (Reidenbach), Attached 2009 James City County Comprehensive Plan at Introduction 1 ("We will not settle for less than first-class education, medical care, public safety, recreation, and entertainment that strengthen the fabric of our community.").

among other participants. The alternatives to the Proposed Project that the Commission has evaluated include:

- generation (*i.e.*, power plant) options;
- demand-side management (*i.e.*, lowering electric demand by consumers);
- lower voltage transmission;
- underground transmission;
- transmission in different locations; and
- combinations of generation and transmission.

The engineering evidence in this case is overwhelming that, as a result of (1) generation retirements prompted by stricter federal environmental regulations and (2) normal continued load growth in the North Hampton Roads Area, an overhead 500 kV transmission line needs to be constructed soon to ensure that a large part of the Commonwealth continues to have reliable electric service. The Commission can no more ignore the severity of fast-approaching reliability problems than it can the environmental, scenic, and historic impacts associated with the many different possible alternatives explored in this case for addressing those problems. In this case, the risks associated with the construction of a lower voltage project, either underground or overhead, or other alternatives that do not include a 500 kV overhead transmission line, are simply too great. Were lesser transmission options, for example, approved herein, the record demonstrates that reliable electric service would be compromised to a degree that is unacceptable anywhere in the Commonwealth, much less in an area with a military presence as significant as in the Historic Triangle area and other portions of the North Hampton Roads Area.

After evaluating all the alternatives offered in this proceeding, the evidence in this case leads back to the two alternative 500 kV projects proposed for Commission approval in the Application: the Proposed Project and the Chickahominy Alternative Project. From just east of the Chickahominy Substation in Charles City County where an existing 500 kV transmission line

crosses over the James River on its way to the Surry Nuclear Power Station, Dominion's existing 500 kV transmission system is located south of the James River.¹⁷ Thus, a new 500 kV line extending either down the Peninsula from the Chickahominy Substation or across the James River from Surry is needed if – as is the case here – a further extension of Dominion's 500 kV system onto the Peninsula is required.

Comparing these two 500 kV options, the record supports the Hearing Examiner's findings that the Proposed Project "is the least cost viable alternative for addressing the identified NERC reliability violations presented in this case, can be constructed in a timely manner, and is the best alternative in this case"¹⁸ and that the Chickahominy Alternative Project "has a higher cost than the Proposed Project and will have a greater impact on scenic assets, historic districts and the environment."¹⁹

The Surry-Skiffes Creek Line of the Proposed Project offers a reasonable path into the highly constrained Peninsula where an overhead 500 kV transmission line is needed to reasonably ensure reliability. The Surry-Skiffes Creek Line would begin at the existing transmission switching station near the Surry Nuclear Power Station on the south shore of the James River; cross the James River in a manner designed to avoid, among other things, ship traffic and the airspace of military aircraft from a large nearby military installation (Fort Eustis and Felker Airfield);²⁰ and then come ashore on the BASF property in an industrial area that includes active environmental remediation sites.²¹ A crossing of the James River in this

¹⁷ Ex. 23 (Application), Attached Appendix at 6, 117.

¹⁸ Hearing Examiner's Report at 175.

¹⁹ *Id.*

²⁰ *See, e.g.*, Ex. 118 (Harper rebuttal) at Rebuttal Schedules 1, 2.

²¹ *See, e.g.*, Ex. 48 (Burrows) at Figure VCB-1; Ex. 60 (Henderson) at TCH-2.

particular area is reasonable and far preferable to the route that the Chickahominy Alternative Project would use to introduce 500 kV transmission to the Peninsula. In an area of the Commonwealth that is so full of scenic assets, and historic and environmental resources, the Proposed Project will have impacts, but they will be fewer and less significant than with the Chickahominy Alternative Project. Additionally, the Commission finds, based on the extensive factual record in this case, that construction of the Proposed Project, as approved herein, will reasonably minimize adverse impact on the scenic assets, historic districts, and environment of the area concerned.

The Proposed Project, using a tower alignment identified as Variation 4, is required by the public convenience and necessity, reasonably minimizes environmental impacts, and otherwise satisfies the requirements of Virginia law. With the retirement of local generation to comply with federal environmental regulations and normal load growth, a 500 kV transmission line is needed to deliver more electrons generated from outside of the North Hampton Roads Area, and the Proposed Project with Variation 4 is the best alternative for doing so.

A more detailed analysis of the applicable law and evidence in this case is included below.

CODE OF VIRGINIA

The statutory scheme governing the Company's Application is found in several chapters of Title 56 of the Code of Virginia ("Code").

Section 56-265.2 A of the Code provides that "it shall be unlawful for any public utility to construct . . . facilities for use in public utility service . . . without first having obtained a certificate from the Commission that the public convenience and necessity require the exercise of such right or privilege."