

MARCH 20, 2014

Minutes of the monthly meeting of the Municipal Services Commission held March 20, 2014 at the office of the Commission, 216 Chestnut Street. The meeting was called to order at 4:00 P.M. with Robert S. Appleby, President, Commissioner, presiding.

Attendance Report:

Present:

Robert S. Appleby, President, Commissioner  
Daniel F. Knox, Commissioner  
Dr. Roy J. Sippel, Commissioner  
Pamela A. Patone, Secretary

Also in attendance: Jay Guyer, Water Supervisor, Scott Blomquist, Electric Supervisor, Mary Jane Stubbs, Treasurer

### MINUTES

With the concurrence of all the Commissioners the minutes of the February 18, 2014 regular monthly meeting were approved without alteration.

### ELECTRIC DEPARTMENT

Supervisor Blomquist reported that there was nothing new to report in Riverbend subdivision. He indicated that he expected a few more items that DeIDOT will need done on South Street before the electric department will be able to close out this project. He advised the Commissioners that he received the quote from Keystone for the cost to connect the new capacitor controllers to the SCADA system and it was significantly higher than he had anticipated therefore he would be reviewing in detail with Secretary Patone and Supervisor Guyer. Supervisor Blomquist went on to report that the Trustees have selected the light fixture desired for the Bellanca Airfield parking lot and have paid the initial deposit. The electric department will begin this project within the next week. Regarding the easement on the Penn Farm, Supervisor Blomquist advised that the Trustees had provided the documents and management was reviewing it. He also reported that the City Building Inspector Jeff Bergstrom is requiring that an archeologist be present during the excavation of the site during the installation of the underground electric at 25 The Strand, therefore, he will be obtaining quotes from three archeologist. Supervisor Blomquist advised that he prepared a report that shows all the times that the Commission rented a three reel wire trailer and the number of times that a developer utilized a three reel wire trailer in order to install electric service throughout the City. Supervisor Blomquist went on to report that he, Assistant Supervisor Granger and Secretary Patone met with Joe Wessels from Homeland Security regarding security at the substations. Supervisor Blomquist indicated that Mr. Wessels has connected the staff with the State of Delaware in order for the Commission to receive funding for Cyber Penetration testing in addition to introducing Mr. Ronald Bounds with the Delaware Information and Analysis Center

with the Delaware State Police who will assist with a vulnerability assessment of the Commission facilities. Supervisor Blomquist reported that there were no outages during this past month. Commissioner Appleby questioned how much time is spent on the accumulation of outage information to produce the indexes (SAIDI, SAIFI, CAIDI and ASAI) Supervisor Blomquist indicated that because of the reliability tracker software it takes very little time to run the indexes and inputting the information after an outage also required very little time. He communicated that he felt the reporting was useful.

Supervisor Blomquist reported that electric crews continue to do tree trimming throughout the system as weather permits. In addition, he explained they have sanded and repainted the generator at the plant and upon request of the City have removed a large oak tree at Buttonwood School. He went on to report that Delmarva Power requested an outage at the Wilmington Road substation on March 13, 2014 to perform a trip testing on the transmission line. He advised that Assistant Supervisor Granger has begun the underground electric mapping project.

#### WATER DEPARTMENT REPORT

Supervisor Guyer reported that flushing continues to be done in the Riverbend Subdivision. Regarding the remediation at the Seeds of Greatness Church site, Supervisor Guyer reported that Mr. Bob Schulte of DNREC acknowledged receipt of the Commission and City of New Castle's letters supporting the complete remediation of the site and quoting the wellhead protection area ordinance. Supervisor Guyer went on to report that DelDOT's contractor Mumford & Miller expects to start work on the remaining water service on South Street soon assuming the weather cooperates. Supervisor Guyer indicated that the Rt 273 Multi Use Trail contractor Grass Busters Landscaping continues to work on several phases of the trail and will be contracting with the Commission to relocate a fire hydrant near the First Baptist Church. He reported that Assistant Supervisor Jaeger and Yard Person Jay Jones continue to draw in water mains and services into the mapping system. He advised that the New Castle County Land Use tax parcel base map shape files and database were received and laid into the Commission's mapping system. In addition, he advised that the fire hydrants in the Commission's water system were provided to New Castle County for incorporation into the county 911 Emergency Call system. He went on to report that during the mapping activity it was identified that a private fire hydrant located at 170 Lukens Drive was not being billed to the customer and in accordance with the Tariff and standard practice retroactive billing was being prepared. Supervisor Guyer indicated that the water service for the produce stand would be installed once the weather cooperates and that DelDOT advised that they will clear the right of way on School Lane in the middle of April.

Supervisor Guyer reported that he is preparing a list of all water meters to evaluate for testing or replacement. Supervisor Guyer advised that he and Secretary Patone attended a webinar regarding Benchmarking of water systems which he believes will be helpful as he continues to work on developing a Water Main Renewal Program.

Supervisor Guyer informed the Commissioners that the water operators located the old valve box that was uncovered during the reconstruction of the Bull Hill Dike but have not yet been able to

determine where it connects to the 6" main. He will continue to develop a plan to investigate and abandon this service.

Supervisor Guyer indicated that the materials for the Cross Roads Well on the Penn Farm were purchased and the framing of the walls is complete. He advised that work at the site will begin once he receives the DelDOT road entrance permit. He went on to report that an unplanned outage took place at 617 West 13<sup>th</sup> Street where the water service broke at the main. He explained that the water operators were able to repair without disconnecting the service. Supervisor Guyer reported that all reporting for DNREC Tier II Hazardous Chemical Inventory Reporting was completed. He informed the Commissioners that he met with the New Castle County Local Emergency Planning Committee representative Mr. Joe Morente who reported that he was impressed with the operations and made a few recommendations for improvement which have been implemented.

Supervisor Guyer indicated that during the GPS location project some curb boxes were identified that needed maintenance and the operators have been working to make those adjustments. He went on to report that the 20 year old Miller Retractable Life Line/Fall arrestor did not pass the manufacturers inspection and certification this year and that he was requesting the purchase of a new device at a cost of \$1,900. He indicated that a device was being rented currently. Supervisor Guyer reported that the E-cabinet document storage device was no longer functioning and after investigating options it was determined that discarding was the most cost effective solution.

Supervisor Guyer reported that water demands are lower than normal and a discussion ensued regarding weather related and other possible reasons. He went on to update the Commissioners on other reporting agency meetings.

Commissioner Appleby thanked the Supervisors for their attendance and they left the meeting.

#### FINANCIAL REPORT

Secretary Patone reported in Collections that Tesla Industries, Inc. in Centerpoint has not yet paid the increased deposit amount.

She reported that the month ending February 28, 2014 report showed that "Cash" increased \$397,000 from the previous month due to the receipt of the payment from DelDOT for the Washington Street Project in addition to the remaining bond money from DEMEC. In "Revenue and Expenses" the "Change in Net Assets" was an excess of net assets in the amount of \$461,000 which is better than the budgeted. This is partially a result of the \$184,000 income from DelDOT for the Electric Department portion and \$41,000 invoiced to DelDOT for water main inspections of the Washington Street Project and the final funds from the substation bond money at approximately \$75,000 in addition to \$18,000 for a gain on sale of a truck. She reported that the Water Department is reflecting an excess of approximately \$116,000 and Electric Department reflected an excess of approximately \$345,000. Treasurer Mary Jane Stubbs had submitted a copy of the disbursements in advance for the Commissioners to review.

Secretary Patone reported that under new business she will be asking the Commissioner to approve the write off of an under billing from DEMEC as a result of Delmarva not metering the Dobbinsville substation accurately in 2011. After several years of communicating the issue, it appears that Delmarva will not be going back to PJM to correct the billing; therefore, she would like to remove the liability from the accounting records. Based on her inquiry, there is no limitation on PJM for their ability to bill but it is unlikely that it will happen after this much time.

Upon motion made and unanimous approval, the Commissioners approved the write off of the DEMEC under billing liability.

Secretary Patone went on to report that at the DEMEC meeting this week she was made aware of an increase in the power purchase rate that will take effect immediately. She advised that this increase will affect the March expense, however, she did anticipate the year to finish with an excess. She went on to report that unrealized loss or gains are not budgeted each year, and currently there is a \$41,000 unrealized loss. She also reported that dividend/interest income was \$21,000. Commissioner Knox acknowledged the user charges being very close to budget and inquired regarding overtime expense related to snow removal assistance to the City. Secretary Patone and Treasurer Mary Jane Stubbs reported that the overtime related to snow removal was minimal.

She said in "Control Procedures" that Supervisor Blomquist reviewed the bank statements for February.

Secretary Patone reported that the auditors Horty & Horty will be performing inventory observation on April 1, 2014.

Upon motion made and unanimous approval, the Commissioners accepted the financial report for the month of February and approved the payment of the February bills attached hereto.

#### SECRETARY'S REPORT

Secretary Patone reported that she attended the March 18, 2014 DEMEC meeting. She explained that the new DEMEC auditors Baker Tilly, identified that a transaction that DEMEC entered into with AMP in 2012 should have been recorded as a loan and not sales. She advised that as a result the December 31, 2012 financial statements will be restated. She went on to report that the change on the financial statements is approximately \$25M and that the President of DEMEC Patrick McCullar is discussing with the banks and bond agencies. Secretary Patone reported that the DEMEC board voted to accept a resolution for the Town of Middletown to proceed with a bond sale for a new substation. She went on to report that at the February DEMEC meeting the board had voted to allow President McCullar to negotiate a purchase power agreement with the Data Center in Newark to a specific rate. She advised that President McCullar requested at the March meeting that the board increase that rate. Secretary Patone reported that the board did not approve the increase and asked for additional information and analysis to be prepared and presented to the board. A discussion ensued regarding the proposed rate, terms and escalator.

Secretary Patone advised she would continue to request substantiation for the contract terms and rates. Secretary Patone went on to discuss that the rate charged to the DEMEC members for their purchased power had been approved in December 2013 for the 2014 calendar year. That rate was lower than was charged throughout 2013 and Secretary Patone had prepared the Commission's budget in accordance with the newly adopted rate. DEMEC President McCullar requested in the March 2014 a 5.12% increase in the DEMEC member rate effective immediately, due to the extreme weather in January and February 2014 which had reduced the reserve fund significantly. The DEMEC board voted to approve the rate increase. Secretary Patone advised that this rate increase would affect the operating budget being approved for FYE March 31, 2015.

### OLD BUSINESS

Secretary Patone reported that Scott Lynch from DEMEC continues to work with AMP on a plan for a solar array and there are no updates at this time.

Secretary Patone reported that Supervisor Guyer advised that DelDOT will provide initial maintenance of the hedge row on School Lane in conjunction with the walking trail.

Secretary Patone reported that she continues to research software for the accounting and billing departments.

Secretary Patone reported that Supervisor Blomquist advised of the status of the substation security project.

### NEW BUSINESS

Secretary Patone advised that DEMEC and Comverge applied to have their designation as the approved CSP (Curtailment Service Provider) for the City of New Castle renewed for the calendar year 2014. Secretary Patone confirmed that EnerNoc's contract with Zenith expired December 31, 2013.

Upon motion made and unanimous approval the Commissioners renewed Comverge and DEMEC's designation as the only CSP for the City of New Castle.

Secretary Patone presented the operating budget with the same assumptions as previously presented with the increase of the purchase power rate. She advised that the operating budget presented reflects a \$340,000 deficit because of the unexpected rate increase. Secretary Patone recommended passing the operating budget with the deficit and funding it with the excess from FYE March 31, 2014 in addition to having the Cost of Service Study prepared in early Fall 2014 so that if necessary rate adjustments could take place earlier than next fiscal year.

Upon motion made and unanimous approval, the Commissioners voted to approve the operating budget as presented.

Secretary Patone presented the proposed capital budget and explained the need for equipment that the electric and water departments have borrowed from the City in the past but is no longer available or operational. She advised that the large projects on the budget have been reviewed and previously approved by the Commissioners such as the completion of the Airport Plaza Loop and the Cross Roads Well. A discussion ensued regarding the three reel trailer and the Commissioners reviewed the report prepared by Supervisor Blomquist. Secretary Patone explained that Supervisor Blomquist would be able to utilize the three reel trailer for the Airport Plaza loop project and he had indicated that in that budget was a \$5,000 cost for rental of a trailer that could be removed if the trailer was approved. Secretary Patone explained that the Cost of Service Study is presented on the capital budget in addition to renovations and furniture for the Customer Service Manager's office. She advised that the carpeting in the administrative office was in need of replacement and was put on the capital budget. Commissioner Appleby and Commissioner Knox discussed the need for a line item on the capital budget for emergency capital items. Secretary Patone advised that she and City Administrator Bill Barthel discussed the possibility of the Commission and City cooperating together to build a pole barn to store materials and house equipment. The Commissioners indicated that the accounting software and pole barn would need to be addressed at a later meeting.

Upon motion made and unanimous approval, the Commissioners voted to approve the capital budget in the amount of \$575,000.

#### MARCH MEETING

The Commissioners set the date of the next monthly meeting to be April 17, 2014 at the office of the Commission, 216 Chestnut Street, New Castle, DE 19720.

#### ADJOURNMENT

By motion made and unanimous approval, the Commissioners voted to adjourn.

Approved 4-17-14  
Date

  
Pamela A. Patone