

MARCH 23, 2015

Minutes of the monthly meeting of the Municipal Services Commission held March 23, 2015 at the office of the Commission, 216 Chestnut Street. The meeting was called to order at 4:00 P.M. with Robert S. Appleby, Commissioner, Commissioner, presiding.

Attendance Report:

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

Also in attendance: Hick Rowland, Commissioner effective April 1, 2015, Jay Guyer, Water Supervisor and Scott Blomquist, Electric Supervisor, Mary Jane Stubbs, Business Manager/Treasurer,

Member from the public: Preston Walker, NERC Reliability Specialist, NAES Corporation

MINUTES

With the concurrence of all the Commissioners the minutes of the February 23, 2015 regular monthly meeting were approved.

WATER DEPARTMENT

Supervisor Guyer reported that the water department continues to flush Riverbend hydrants. He advised that he had no updates from Mr. Bob Schulte of DNREC regarding the remediation plan of the Seeds of Greatness Site. He to report Mumford & Miller had mobilized to the site to complete the final punch list for the DeIDOT Washington Street project. He went on to report Jeff Bergstrom had been provided a copy of the updated City Storm Water mapped system. He communicated to the Commissioners the 6" pipe, valves and fittings for the run along School Lane were received, the electric specs reviewed and materials received. He indicated the Trustees were contacted regarding a need for an easement and Keystone Engineering will be moving forward with starting the design and ordering of the RTU for the SCADA controls. Supervisor Guyer also reported that 80 ft. of the Utility Building curbing would be set up and poured at a time and this process had begun.

Supervisor Guyer updated the Commissioners on Mr. John DiMondi's property at 426-438 West 7th Street. He indicated after meetings with DeIDOT and engineers the MSC could sign off on the driveway permit from DeIDOT in the area requested with the understanding that Mr. DiMondi would need to follow the engineered solutions the MSC stipulates with the permit. Supervisor Guyer advised Secretary Patone had reported this information to Mr. DiMondi via an e-mail. Mr. Rowland indicated he saw work being done in the area. Supervisor Guyer advised it was not the same driveway in question.

Under outages, Supervisor Guyer reported there were no planned outages and one unplanned

outage on February 8, 2015 at 154 Casimir Drive to repair a broken 6" water main. Supervisor Guyer reported he had completed the year end reports for DNREC water use, DNREC Tier II chemical report and submitted as required. He continues to work on the DRBA water audit report and will submit by the end of the month. He advised he reviewed the 14th street Drainage Project with the City and the inverts of the water mains and services were added to the plans and no conflicts exist with the propose installation. He advised all this information was provided to the City engineer Dave Athey. He went on to report the list of other paving projects within the City has been provided to him and no conflicts were noted on the other projects except the Delaware Street plan had not yet been completed by the City so he was waiting to receive and review the complete plan. Supervisor Guyer reported the Spring Hydrant flushing has been scheduled to begin the week of April 13, 2015. He advised the forms for the Sub-Grant Process had been received for the Homeland Security Grant and he would be working on completing them.

Supervisor Guyer reported he continues to work on the PFC contamination solution. He has received the submittal package from Calgon Carbon for the Model 12 GAC filter system and he has reviewed with the engineers and they appear to be complete. In addition, he communicated the specifications for the 16,000 gallon concrete wet well have been received and are being reviewed by staff and the engineers. He advised the final plans for the piping were being completed to submit to the Office of Drinking Water for a certificate to construct. He reported Brandywine Construction provided a quote in the amount of \$38,500 to provide driven sheet shoring, excavation, spreading and compacting the excavated soils on the site in accordance with the plan. Commissioner Appleby questioned whether the MSC already had a wet well. Supervisor Guyer explained currently there is one wet well that is gravity fed into the aerator, then the water will be dropped into the new wet well and pumped from there to the filter system. He explained the water needs to go through the aerator as a first step to remove the VOC's from the water before being filtered to help with the longevity of the carbon. Commissioner Appleby questioned whether the wet well was in the original budget. Secretary Patone indicated the wet well was in the original budget however it was anticipated the work would be done in-house. Supervisor Guyer explained why it was best to have Brandywine Construction do the shoring instead of doing the work in-house. Commissioner Appleby questioned the size of the pit and the cost. Supervisor Guyer explained the 24' x 12' pit would be \$38,000 for the excavation and shoring of the pit. He went on to report he had prepared a revised preliminary budget with the Model 12 and a timeline for construction. He reported the PFC monthly testing showed the carbon system is working and the PFC readings were below the provisional health advisory limits. Commissioner Sippel questioned the testing. We wanted to know whether increased amounts of contamination would be detected with the current testing process. Supervisor Guyer explained he would need to test the raw water annually in order to track the levels of PFC in the water prior to treatment. Secretary Patone distributed copies of Supervisor Guyer's budget and timeline. Commissioner Appleby questioned the completion of the project being shown in October. Supervisor Guyer advised the Model 12 should be completed and placed in service the end of August, but the Model 10 would be demobilized in September with a final completion of the project by October.

Supervisor Guyer reported the linemen and operators completed 4 hours of Confined Space Training and 4 hours of Flagger Certification. In addition, he advised Water Operator Barry

Granger has begun his Distribution Certification Course. He went on to report the Water Supply Coordinating Council (WSCC) report which included an increase in the MSC's Maximum Daily Demand from .6 mgd to .7 mgd was completed and Secretary Patone casted a "yes" vote on behalf of the MSC to accept the report as revised.

ELECTRIC DEPARTMENT

Supervisor Blomquist reported the last 40 feet of conduit was installed for the Airport Plaza loop and the lineman would begin pulling wire once the pulling equipment was delivered. He went on to report he visited 800 Centerpoint with representatives of the tenant Lazy Boy and determined the main breaker for the service of one meter was turned off. Supervisor Blomquist was told the service had been installed for special equipment when a different tenant had occupied the building. He communicated since the service was primary metered the customer owned the transformer. He indicated he met with the landlord on-site Pat Moran from McConnell and Mr. Moran advised to shut the service down completely. Supervisor Blomquist indicated this will save the customer in transformer losses and there will be no need to change out the meter. He went on to report 700 Centerpoint had a master/slave combination meter installed and he continues to work on verifying the meter information at that location. Supervisor Blomquist reported he received the design for the solar array and is scheduling a meeting to review the plan with the Trustees, staff and Scott Lynch of DEMEC. He communicated the capacitor banks have all been tied into SCADA and the project is complete in addition the wire racks foundation was poured and completed on March 16, 2015.

Supervisor Blomquist reported the pulling equipment was approved at the February 2015 meeting and was ordered. He is waiting on delivery. He advised he had reviewed the capital budget items previously and the only change was the addition of the conduit for the Booker Circle project. Supervisor Blomquist reported there were no outages in the past month. He advised one of the security perimeter beams at the Wilmington Road Substation had to be replaced by Security Instruments. He went on to report an alarm at the Dobbinsville Substation showed a phase three monitoring on the circuit switcher. Upon consulting with the engineers, he took load off the site and began testing procedures with Southern States the manufacturer of the circuit switcher. Supervisor Blomquist reported the problem was not with the circuit switcher. He physically inspected the control box and found the contractor had installed 6 sets of wires capped off lying in the bottom of the control box, which had not previously caused problems, however, with a little bit of moisture it was acting as though the circuits were having a problem, so he disconnected the wires and removed them. He went on to report in the mapping system that Assistant Supervisor Granger had been working with the vendor to record PMH9's in the mapping system. He also indicated Assistant Supervisor Granger had met with the University of Delaware representatives to perform energy audits of the Police Station and Trolley Barn and a report is expected within the next month. Supervisor Blomquist reported he worked with billing to perform the annual billing audit and he submitted the annual Department of Energy EIA-861 report.

Commissioner Appleby questioned Supervisor Guyer whether he had any follow up on the relining and/or replacement program for the City's water mains. Supervisor Guyer

communicated he would like to complete the installation of the filter project and then have echologics testing performed on the Delaware Street water main to determine the condition of the main. He advised that Secretary Patone had budgeted \$10,000 for testing to be done in the upcoming year.

Commissioner Knox questioned whether there would be a discussion regarding the question of antennas on the water tank. Secretary Patone indicated the Commission's decision not to allow antenna on the water tank was communicated to City Council and although she understood Council was not happy with the decision there had not been any further feedback. Supervisor Guyer advised test holes had been drilled near the current monopole at 100 Municipal Blvd. for what he understood was the construction of a new monopole at that location.

FINANCIAL REPORT

Secretary Patone reported in Collections staff was able to perform disconnects due to non-payment as the weather was warmer. She went on to report the New Castle Weekly had reported the Mt. Salem Church had been disconnected without proper notice. She advised she researched the activity on the account and the account had been given proper notice to the address on the account prior to disconnecting. She informed the Commissioner the water and electric had been disconnected for over a year.

She reported the financial statements for the month ending February 28, 2015 show the Total Assets of \$14,324,529 with "Cash" decreasing \$237,000 from the previous month. In "Revenue and Expenses" the "Change in Net Assets" was a deficit of net assets in the amount of (\$194,000), (\$4,000) from Water Operations and (\$190,000) from Electric Operations. She indicated the purchase of water line item is over budget due to the water contamination issue, the Artesian purchases as a result of the contamination are in the amount of \$189,000 in addition the electric revenues were down due to the weather and the purchase power rate from DEMEC had been increased last year and the Commissioners had not yet raised electric rates.

Secretary Patone advised in "Control Procedures" Supervisor Blomquist reviewed the bank statements for February.

Secretary Patone indicated the year end audit work was beginning, the inventory observation is scheduled for the end of March and fieldwork would be scheduled for May. She reported Horty & Horty would be the auditors per the three year agreement. She went on to report she had received an invoice in February from Horty & Horty above the contracted figure related to inquiries she had made in August regarding the cost of an A-133 audit. She advised the invoice was for approximately 11 hours of professional services related to her inquiry and the auditors time discussing the well shut down. She requested the auditors review the invoice as she believed the hours billed seemed high. Commissioner Sippel questioned whether printed bound copies of the Cost of Service Study report would be provided. Secretary Patone advised she understood we were to print the report from the electronic version. Commissioner Appleby advised that he wants the consultant to consider the filtration system cash outlay with the possibility of the USDA grant and the refinancing of the bond balloon payment. Secretary

Patone advised she had communicated to the consultant these requests and he would be prepared to address at the March 30, 2015 meeting. Secretary Patone also reported the operating budget revenues would be calculated once the rate design had been approved and she was adjusting the operating budget for new information from the State of Delaware regarding health insurance cost increases of almost 10%. She went on to review the proposed capital budget totaling \$1,629,101. She highlighted the additions since the previous meeting which included the Booker Circle conduit for communications, the Echologics pipe assessment for Delaware Street, the filtration system updated budgeted figure, the utility building drive around the pole building and the 14 Street pavement project. Secretary Patone advised Jeff Bergstrom had inquired regarding whether the Commission would pay for the cost of engineering for the street pavement project if water mains needed to be addressed. Secretary Patone advised when DelDOT has a street paving project they pay for all engineering in addition to paying for the relocating of any utilities. She advised that the Commission would not pay for engineering costs associated with the City's project but would provide the materials and labor associated with necessary water utility adjustments. She then referred the Commissioners to the invoices for February.

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.

Commissioner Appleby thanked Ms. Stubbs for her attendance and she left the meeting.

SECRETARY'S REPORT

Secretary Patone reported she and Commissioner Appleby attended the March 17, 2015 DEMEC meeting. She advised Next Era- made a presentation of their services. She indicated Next Era provides a resource for customers to obtain information on all the utilities available in an area and costs, this would include telephone, television, electric, water, gas etc. She informed the Commissioners that Next Era is paid by Verizon, Comcast and other vendors to provide this service as these companies would prefer to outsource the retail of their services. She went on to report the City of Newark had their AMI vendor, Honeywell make a presentation on the implementation of their smart meter infrastructure. In addition, she advised the City of Newark Electric and Water Supervisors were present to discuss the successes and challenges of the implementation. She indicated the City of Newark was able to save cost related to meter reading and provide increased water revenue due to updated metering. She reminded the Commissioners she had Honeywell visit New Castle staff and prepare an analysis for installing AMI, but the preliminary analysis indicated at the current time the benefits did not outweigh the cost. Secretary Patone advised DEMEC had three resolutions passed, one to change the corporate address, one to honor Robert Appleby for his service on the Board and one to recognize the retirement of the NRG manager who worked at the Beasley generating plant. She went on to report the DEMEC audit committee reported no journal entries and no material weaknesses from the fiscal year audit. She advised the DEMEC staff have made improvements in the accounting process and the audit committee oversight is considered a positive contribution. She continued to report DEMEC's contract for lobbying services with Maxwell Associates was renewed; accounting policies for cash flow, rate stabilization, capital asset maintenance reserve and municipal renewable portfolio standard were approved. A discussion ensued regarding the Municipal Renewable Portfolio Standard and the ability of DEMEC to sell excess REC's and

SRECs. Secretary Patone reported the Beasley generating units 1 and 2 generated for 2 and 6 hours respectively. She advised unit 2 also had 143 hours of condensing. She explained the outage unit 1 incurred due to the freezing of a transducer feed line. She informed the Commissioners that Pat McCullar had an estimate prepared by ACES to determine what the capacity performance penalty would have been since the Beasley unit was not able to perform assuming the penalty proposal was enacted. She advised the penalty would have been approximately \$900,000 and DEMEC Commissioner McCullar explained that an improved maintenance program would have to be in place to minimize these types of outages. Secretary Patone reminded the Commissioners DEMEC would have a strategic planning full day meeting in April and in May, where the Board members would be expected to participate in addition preliminary telephone conversations and surveys would take place with the consultant in advance. She went on to report the RFP for the LED street lighting was sent out and Smyrna was planning a behind the meter 1.5 MW solar generator. Lastly, she advised DEMEC members agreed to reconcile their EIA 861 reports with the accumulated information DEMEC staff maintains. Commissioner Knox indicated he tentatively would like to attend the May 14, 2015 meeting at Dover Downs that DEMEC will present to the municipal government and utility boards regarding updates on the industry and future energy costs.

OLD BUSINESS

Commissioner Appleby indicated the Commission would wait to approve the operating budget until the cost of service study is presented. Secretary Patone requested the capital budget be approved, as she has already moved forward with the copier and folding machine purchases per her e-mailed notification. She reminded the Commissioners the equipment had not been functioning properly and had resulted in hand stuffing of envelopes the past few months for billing. She reminded the Commissioners some of the items on the capital budget were carried forward from the previous year as the water department was unable to complete several projects due to the water contamination. Commissioner Appleby expressed support for the Booker Circle project as the poles are in the backyards and accessibility is difficult for repairs and maintenance.

Upon motion made and unanimous approval, the Commissioners approved the capital budget in the amount of \$1,629,101.

Commissioner Appleby indicated that nominations would be discussed after new business.

NEW BUSINESS

Secretary Patone indicated annually the Commission approves the renewal of an exclusive provider of Demand Response programs within the City of New Castle. She explained DEMEC/CPower (formerly Comverge) has been the exclusive provider and none of the city's current customers are participating in the program.

Upon motion made and unanimous approval, the Commissioners approved DEMEC/CPower as the exclusive provider of Demand Response (DR) and other DR allowed related service in the City of New Castle.

Secretary Patone explained DEMEC was requesting the Commission approve a resolution to modify the current Demand Response Aggregation portion of the Tariff to include energy efficiency as an acceptable Demand Response product to be bid into the PJM Capacity market.

Upon motion made and unanimous approval, the Commissioners approved the modification of the Tariff to include energy efficiency as a Demand Response product.

Secretary Patone provided the Commissioners with Leaf #54 and Leaf #55 of the Commission's tariff which detailed the Large General Service Commercial Demand Rate (Primary) and Large General Service Commercial Demand Rate (Secondary) that reflects demand would be billed with a minimum bill of 300KW. She explained the Tariff has not changed but the billing system had not been designed to reflect the minimum 300KW requirement. She advised she had worked with the billing software and was able to insure that the billing could be done to reflect the accurate billing and she wanted to move forward with implementation. She explained she would like approval from the Commissioners to correct the billing to accurately reflect the billing per the Tariff.

Upon motion made and unanimous approval, the Commissioners approved the correction of the billing system to accurately reflect the Tariff minimum 300 KW Large Commercial Primary and Secondary billing requirement.

Commissioner Appleby indicated after discussing with Secretary Patone he was recommending that Secretary Patone be the appointed board member of DEMEC and the Commissioners could attend the meetings whenever they would like.

Upon motion made and unanimous approval, the Commissioners approved Secretary Pamela A. Patone as the City of New Castle Municipal Services Commission appointment as DEMEC board member.

Commissioner Appleby indicated he believed the discussion regarding which Commissioner would be elected as Commissioner should be decided by Commissioner Sippel, Commissioner Knox and the newly appointed Commissioner Rowland after April 1, 2015.

Commissioner Appleby reported Councilman Cochran had approached Secretary Patone requesting the contribution provided to the Goodwill Fire Company be increased from approximately 32% of electric and water consumption to approximately 50%. A discussion ensued regarding past contribution and the possibility of an energy audit to identify cost savings from improved energy efficiency. The Commissioners agreed to further study the request.

Commissioner Appleby reported Council President Linda Ratchford had inquired regarding the limitations of the amount the Commission could provide to the City of New Castle general fund within the constraints of the Memorandum of Understanding with the Governor. A discussion ensued regarding the history of the contribution and the calculation of the contribution. Commissioner Appleby indicated that he believed the City Council may be approaching the Commission in the future regarding the contribution.

MARCH MEETING

The Commissioners set the date of the next monthly meeting to be April 27, 2015 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 4-27-15
Date



Pamela A. Patone