

OCTOBER 27, 2014

Minutes of the monthly meeting of the Municipal Services Commission held October 27, 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 and Scott Blomquist, Electric Supervisor

Members from the public: Representative from Evoqua Water Technologies

MINUTES

With the concurrence of all the Commissioners the minutes of the September 2, 2014 special meeting were approved without alteration, the minutes of the September 22, 2014 regular monthly meeting were approved with two minor alterations.

ELECTRIC DEPARTMENT

Supervisor Blomquist reported that he has the wire purchase for the Airport Plaza loop project scheduled for the fourth quarter. He advised that a pole and capacitor bank were installed at the newly identified location for the capacitor bank project. He went on to report that the Wilmington Road Substation Cable Trough project is scheduled for the third quarter and that the equipment for the Centerpoint meter project has been ordered. Supervisor Blomquist reported that he had contacted four vendors for the solar array project and that CMI Electric had met with him and the other supervisors on site. He advised that a ground mount system or aerial tracking system were being considered. Commissioner Knox questioned the space limitations for the solar array due to the new water treatment system. Supervisor Blomquist indicated that the space outside the fence of the treatment system within the well head protected area was being considered. Commissioner Knox expressed concern regarding vandalism. Supervisor Blomquist indicated that that was being considered and that he had requested a design for the array from CMI Electric. Commissioner Appleby questioned whether AMP Ohio was involved with the design or funding. Secretary Patone indicated that originally DEMEC had suggested that the Commission could participate in some way with the Seaford project but due to the size of the Commission's project that was no longer being considered, therefore, AMP Ohio was not involved. Supervisor Blomquist indicated that he would continue to pursue other contractors for designs and quotes for the solar project.

Supervisor Blomquist reported that after reviewing the 206 & 208 Moore's Lane project with

CPR Construction it was decided that an aerial electric service was appropriate for that location. Supervisor Blomquist reported that in addition to the two outages listed in his report at West 13th Street and one at 2nd Street there were three additional outages over the past week at the Wilmington Road substation, Dalby Alley and Delaware Street. He advised that squirrels were the primary cause. He went on to report that he attended a Substation Equipment & Controls training in Wisconsin which encompassed design, operation, wiring, trouble shooting, protective relay schemas and system startup. Supervisor Blomquist indicated that he had developed a policy for requests of banners, signs and flags being placed on Commission infrastructure and provided to Secretary Patone for review. He went on to report that he continues to draw the Van Dyke underground project and estimate costs. He indicated that the street light painting project is complete and the electric crews will return to tree trimming. He advised that ABB returned the substation relay and advised that the current design will not allow for accurate values at low load times and high load times, he decided not to have any changes made to the CT's due to costs. He reported that Transformer Associates performed oil sampling at both substations. He indicated that Assistant Supervisor Granger continues to map the underground electric system. Lastly, he reported that he had provided responses to the Department of Energy's questions regarding the EIA 861 report.

WATER DEPARTMENT

Supervisor Guyer reported that the water department continues to flush Riverbend hydrants. He advised that he received an e-mail from Mr. Bob Schulte of DNREC in reference to BP Amoco reviewing alternative remediation plans for the site in the Operational Unit 2 area at the Seeds of Greatness Site. He indicated that Mr. Schulte objected to the alternatives being proposed by BP Amoco and was giving the attorneys time to work through the details of following the agreed upon capping with blacktop. He went on to report that the Washington Street project with DelDOT was almost complete. He advised that there was a second list of pending items that Mumford & Miller was working to finalize and then final billing from the water department could be sent. Supervisor Guyer reported that the 273 Trail project was complete. He also indicated that the City Storm Water mapping projects report was given to Jeff Bergstrom and he understood that Mr. Bergstrom would be getting an engineering group to shoot the elevations at the top of the catch basins and manholes. He went on to report that DelDOT completed roadway repairs to School Lane and the Water Department has been assisting with the meter reading functions. He reported regarding the solar array that Supervisor Blomquist, Secretary Patone and he met with Chris Castagno and Mike Alfree of the Trustees to discuss the change in location for the solar array and they were receptive to the change. In addition, he reported that Secretary Patone met with Delaware Greenways representatives Steve Borleski and Becca Manning to discuss the solar array. Commissioner Appleby asked what the expected size of the solar array was, Supervisor Blomquist indicated possibly 30KW.

Supervisor Guyer reported that he had not done any additional work on the water renewal project. He advised that the Cross Roads Well building is complete and AC Shultes installed the pump on October 10, 2014. He went on to report that there were no planned or unplanned outages the month of September. He advised that 14,196,551 gallons of water were purchased from Artesian for the month of September. Supervisor Guyer advised that the water operators

worked on repairs and maintenance of curb boxes and valve boxes, inspecting of hydrants and have completed the roof replacements on the School Lane well house and storage garage. He reported Secretary Patone attended the Homeland Security Grant meeting on October 20, 2014. He also reported that he had provided facility tours to both the City of Newark and Schneider Electric's integrator Innovative Missions System and gave demonstrations of the Commission's SCADA system. In addition, he reported that a tour was provided to Council President Ratchford, Mayor Reese, City Administrator Barthel and Chief of Police Tjaden of the Commission's sites by Secretary Patone, Supervisor Blomquist and himself. He then reported the repairs to truck T-14's exhaust and the purchase of a snow blower per the capital budget.

Supervisor Guyer indicated that he received all lab results for the triennial Lead and Copper monitoring. He advised that all the sample results were reviewed and forwarded to the Office of Drinking Water (ODW) for evaluation and the ODW advised that MSC exceeded the 90th percentile for lead and would have to distribute a Public Notice to all customers. Supervisor Guyer indicated that the documents would be distributed in the next quarterly newsletter. In addition he advised that the MSC would be monitoring for lead and copper every six months and work with the Office of Engineering (OOE) to review the MSC's corrosion control treatment. Commissioner Sippel questioned the testing process. A discussion ensued regarding the testing and the communication to the customers.

Supervisor Guyer reported that the Calgon Carbon Model 10 Single Vessel System was due for delivery Wednesday October 29, 2014. He advised that the hoses that had been ordered are now not available and staff is working to obtain the necessary hoses as quickly as possible. He advised that the footers were complete for the temporary system. He also advised the soil sampling and analysis for the locations of the temporary system and permanent system was complete. He advised that he continues to work with Dan Barbato of Pennoni Associates to design the permanent solution. He reported that Mr. Barbato has been obtaining quotes from Calgon, TIGG and Evoqua for the alternatives analysis. He advised that the design is going to require a clear well and a structure to be built over the clear well to house equipment for the system. Commissioner Appleby questioned the location of the temporary system and why it could not be placed in the permanent location. Supervisor Guyer explained that the vessel would need to be placed in a temporary location to keep clear for the excavation required for the permanent system. He went on to report that staff had met with USDA representatives to ensure that the steps taken are in compliance with the grant requirements. He indicated that staff received the first set of water quality test results from the US EPA for the New Castle County Airport and Delaware Air National Guard. He advised that no formal determination of the data was provided however several of the readings exceeded the US EPA Provisional Health Advisory Levels for both PFOA and PFOS. He went on to report the Office of Drinking Water has issued a temporary exemption for one (1) year to the MSC for the Licensed Operators to operate the temporary and permanent carbon filter treatment systems being installed. Commissioner Appleby questioned when the Commission could begin pumping their wells. Supervisor Guyer indicated possibly the first week of November.

Supervisor Guyer reported he attended the Water Supply Coordinating Council meeting and despite recent rains Delaware needs 6" to 8" of rain over the next several months to keep conditions above the Drought Watch indicators. He advised that Assistant Supervisor Jaeger attended the DEWARN meeting and that a multi-state WARN group was being formed. Commissioner Appleby questioned whether there

would be any call for a decision on the water treatment system at this meeting. Supervisor Guyer indicated the information necessary for a vote was not yet available and that he understood Secretary Patone would be calling for a special meeting when the alternatives analysis was complete.

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

FINANCIAL REPORT

Secretary Patone reported in Collections that she had met with Burris Logistics and they planned to satisfy their deposit requirements in the form of a bond. She indicated the Commission does not currently have a template for a bond; therefore, she was working with legal counsel to develop that template. She went on to report that there were a few other commercial accounts that she would be visiting over the next few months to discuss deposit requirements.

She reported the financial statements for the month ending September 30, 2014 shows Total Assets of \$14,525,993. The "Cash" decreased \$52,000 from the previous month. In "Revenue and Expenses" the "Change in Net Assets" was an excess of net assets in the amount of \$92,000, \$31,000 from Water Operations and \$61,000 from Electric Operations. She indicated the month of September is typically the first month that reflects an excess in net assets. She reported that gross revenues are down 2.62% compared to budget an amount of \$155,000 the associated expense is down 1.62% \$60,096. She advised that due to the weather she anticipated electric revenues and related costs to be down. She reminded the Commissioners that the purchase of water expense would be higher than budget due to the purchase of water from Artesian. Commissioner Appleby questioned when the purchase of water from Artesian began. Secretary Patone indicated that water purchases began on August 5, 2014. She advised that she continues to monitor the operating expenses closely. Commissioner Appleby questioned the status of the Cost of Service/Rate Study. Secretary Patone indicated that the study was delayed in order to obtain information regarding the operations of the water treatment system which she would anticipate would result in a change of rates. She indicated that the investment activity specifically unrealized gains/losses have not yet been recorded due to a change in staffing in the accounting department.

Secretary Patone advised that in "Control Procedures" Water Assistant Supervisor Ryan Jaeger opened and reviewed the bank statements for September.

Secretary Patone indicated that she provided a capital budget vs actual comparison. Commissioner Knox questioned whether labor was capitalized on these projects and whether it was budgeted. Secretary Patone indicated accounting does capitalize labor but it is not budgeted. She referred the Commissioners to the presentation of the Revenues and Expenses and the fact that capitalized labor is segregated from operating expense to insure that variances are shown without consideration of capitalization of labor. Commissioner Knox questioned why the snow blower did not reflect in the actual column on the capital budget. Secretary Patone advised that the report was through September 30, 2014 and she believed the snow blower invoice was dated in October 2014. Secretary Patone reported that the renovations of the Customer Service manager's office went over budget approximately \$664 due to the SCADA system requiring shelving, the furniture consultant not identifying required furniture and a misquoted figure on the original quote. She indicated that although the Delaware Street light project was complete the

costs are not all accumulated. She advised that they expect the costs to be under budget for the light project.

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

SECRETARY'S REPORT

Secretary Patone reported that she attended the DEMEC annual meeting on September 24, 2014. She advised the DEMEC Board appointed Board officers and passed two resolutions honoring the Mayors of Lewes and Milford for 22 and 40 years of service respectively. Secretary Patone advised the Board was updated on the Middletown transmission line project and engineer Jay Kumar provided a review of all the transmission rate cases pursued by DEMEC at FERC over the past 20 years and the savings attributable to those cases. She went on to communicate the training offered by DEMEC in OSHA training and FERC training. In addition, she reported that the Executive Committee recommended a bonus based on performance to the President. She advised that the dinner after the Board meeting was attended by members of City Council and local legislators. Commissioner Appleby questioned the return on equity for transmission that Delmarva is allowed. Secretary Patone advised that the DEMEC consultant communicated that the rate is currently above 11% and the rate case is requesting that it be reduced below 10%.

Secretary Patone reported that she and Commissioner Appleby attended the October 21, 2014 monthly meeting. She advised that the Board members discussed the proposal that a special project fee be assessed to members to account for the time spent by DEMEC staff to assist with projects that only benefit the one member. She advised that the Commission's substation project was referenced as an example of a project that might have received a special assessment. Secretary Patone reported that the Board asked DEMEC staff to accumulate information regarding the costs to present at the next meeting. She went on to report that DEMEC would not be issuing a RFP for next year's ACES service contract due to time constraints but would pursue this next year. She reported that there has been a delay in the USDA LED street lighting program. She reported that the actual delivered energy cost of \$76.28 was lower than budgeted of \$83.38 mostly due to the capacity obligation. She went on to report that Beasley is expected to have significantly higher revenue than previous year. Lastly, she advised DEMEC had penetration testing performed on the IT system and would be implementing some changes as a result.

OLD BUSINESS

Secretary Patone reported that the Solar Array was discussed earlier in the meeting. She reported the FOIA policy has been updated and presented to the Commissioners in advance of the meeting for their review and she requested it be approved.

Upon motion made and unanimous approval, the Commissioners accepted the FOIA policy as presented.

Secretary Patone advised the alternatives assessment for the well shut down is not yet complete. She indicated that after all the quotes were received and the report written regarding how the system would interface with the current treatment facility she would schedule a meeting for the Commissioners to review. Commissioner Appleby questioned whether the quotes were comparable. Secretary Patone advised new quotes were requested from the vendors that did not provide quotes with domestic carbon. Commissioner Appleby asked whether the representative from Evoqua who was present had any information that she wanted to share with the Commissioners. The representative described the coconut shelled system, the change to the domestic carbon quote and information regarding service and change out from local service technicians that Evoqua has in New Castle. There being no questions, the Evoqua representative left the meeting.

Secretary Patone went on to provide the Commissioners with the Municipal Electric Utility Renewable Portfolio Standard Annual Report from DEMEC. She communicated the Renewable Portfolio Standard is a State mandated program requiring the utilities to include in their portfolio renewable energy in increasing amounts annually through 2025 and beyond. She advised that the municipalities were exempt from the original requirement and then subsequently voluntarily agreed to participate. She advised that the report reflects the DEMEC member's compliance to date and describes its expected continued compliance with the program.

Secretary Patone reported that Verizon had contacted her and City Administrator Bill Barthel regarding attaching antennas to the Gray Street tank. She advised that Clear wire had approached the Commission in 2009 and the Water Department had established requirements for attachments. She advised that Operations would prefer not to have attachments on any of their tanks. She advised from a revenue generating perspective the City was interested in pursuing the possibility. She reminded the Commissioners that in 2009 they began negotiations with the development of a lease that addressed items such as access and insurance. She advised the Commissioners that the Water Supervisors and she met with Andy Mumford of MBA to discuss updates in this area and to gain an understanding of MBA's role with other communities related to negotiation of contracts and oversight of the process. She questioned whether the Commissioners would like her to gather more information or stop the process. A discussion ensued regarding the possible benefits and costs. The Commissioners indicated Secretary Patone should continue to obtain information as they were not for or against the proposal at this time.

Secretary Patone advised that she had forwarded a draft of the Employee Handbook to attorney David Williams of Morris James and that upon completion she would advise the Commissioners that a copy was available for their review. She reminded the Commissioners that the handbook was to formalize policies that have not been in writing and the changes were not to change employee benefits. She went on to report that the Commission has been approached regarding banners, signs and flags on the Commission's infrastructure. She indicated that after discussion with the City Administrator she was made aware that the City did not have an established policy regarding banners throughout the City. She reported that the Commission staff did not believe it was within their rights and responsibilities to decide the administrative process for organizations to be allowed to place banners and similar items throughout the City but that if it was attached to utility poles or other Commission infrastructure that the Commission should establish the specifications for such items. Secretary Patone indicated she would provide a copy of a policy

developed by Supervisor Blomquist at a later date. In addition, she reported that Supervisor Blomquist and Assistant Supervisor Granger had developed an Emergency Response Plan for the Electric department and after further review it would be presented to the Commissioners for review.

Commissioner Sippel questioned the status of the personnel issue with an unemployment claim. Secretary Patone provided an update and the Commissioners proceeded to advise Secretary Patone to consult with legal counsel on the matter.

NEW BUSINESS

Secretary Patone advised that November 17, 18 & 19th she would be attending the Smart Grid Summit in Phoenix, Arizona that was paid for by the organizers of the Summit.

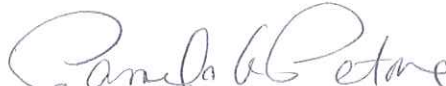
OCTOBER MEETING

The Commissioners set the date of the next monthly meeting to be November 24, 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 11-24-14
Date


Pamela A. Patone