

DECEMBER 22, 2014

Minutes of the monthly meeting of the Municipal Services Commission held December 22, 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, Mary Jane Stubbs, Business Manager/Treasurer

MINUTES

With the concurrence of all the Commissioners the minutes of the November 10, 2014 special meeting and the November 24, 2014 regular monthly meeting were approved with suggested minor alterations.

ELECTRIC DEPARTMENT

Supervisor Blomquist reported the wire purchase for the Airport Plaza loop project was made and was \$60,000 which was lower than budgeted. He went on to report that the Wilmington Road Substation Cable Trough project began this week and that the equipment for the Centerpoint meter project was received and will begin working on it this winter. Supervisor Blomquist reported that Dale Davis of CMI and Bruce Wanex of Wanex Electrical Services would be providing written quotes for the design of the solar array for the Penn Farm which will also include assistance with the startup and construction. He went on to report that he has been working on capital budget preparations and is suggesting that the first underground project be in Penn Valley, specifically Booker Circle where the poles and overhead lines are in backyards and are very difficult to maintain and gain access. He advised the Commissioners that this project would be smaller than the Van Dyke Village development and would be able to begin this fiscal year if approved by the Commissioners.

Supervisor Blomquist reported that there was one outage in the past month, which was caused by a tree branch on 2nd Street as a result of a very windy day. He reported that 46 customers were out for approximately 30 minutes. He went on to report that he continues to design the Van Dyke underground proposed project. Supervisor Blomquist indicated Delmarva Power requested an outage at the Wilmington Road substation due to a transmission pole change out. He advised that during this outage the electric crews installed the aluminum around the legs of the pole structure of the substation in order to keep the squirrels from causing outages. Commissioner Appleby noted that Supervisor Blomquist was able to save \$14,200 by choosing this alternative instead of the squirrel guard. He indicated that Assistant Supervisor Granger continues to map the underground electric system. He advised that he is not confident of the locator that the

Commission is currently utilizing and it is quite old. He is investigating options for upgrades and will present for consideration at a later date. He reported that the confined space equipment per the capital schedule has been ordered. He went on to report that he and Secretary Patone participated in a Physical & Cyber Security webinar that concentrated on NERC & FERC compliance initiatives that focus on generation and transmission not distribution. Supervisor Blomquist reported that over the past month he, Assistant Supervisor Granger and Secretary Patone posted, advertised and interviewed for the lineman position. He indicated the candidate selected for the position was Jeff Guessford. He went on to communicate that Mr. Guessford had previous utility experience and began employment on December 22, 2014.

Commissioner Appleby questioned whether the Riverbend subdivision was fed off the Dobbinsville substation. Supervisor Blomquist indicated that it was not fed off the substation but was fed off a temporary aerial line off of Route 9. Commissioner Appleby questioned the cost and feasibility of connecting the development to the substation. Supervisor Blomquist reminded the Commissioners that connection to the substation and to Centerpoint Business Park was to be completed by the developer of Riverbend. He indicated that the approximately ten homes being served currently is not a large enough load to cause any problems for the temporary line. He advised that the maximum load for the single phase feed would be approximately 40-45 homes. He believed the cost to complete the project connecting to the substation and Centerpoint was high.

WATER DEPARTMENT

Supervisor Guyer reported that the water department continues to flush Riverbend hydrants. He advised that he has not had any communication from Mr. Bob Schulte of DNREC in reference to remediation at the Seeds of Greatness Site. He went on to report that the Washington Street project with DelDOT was almost complete, Mumford & Miller was working to finalize some valve box issues 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 Assistant Supervisor Jaeger and Jay Jones have been drawing in the catch basins, inlets and outlets for the City Storm Water mapping projects. He advised that he had been contacted by the Penn Farm manager Becca Manning regarding their desire to build Green Houses in the back field and Supervisor Guyer confirmed that it would not have any effect on the Water Department's operations. Water operators continue to assist with the meter reading functions and replacing of meter ERT's as necessary. Supervisor Guyer reported that a theft of water service took place at 804 Clayton Street and the authorities were notified. He advised he had not done any additional work on the water renewal project. He advised that the Cross Roads Well building is complete and weatherproof.

Supervisor Guyer indicated that he prepared documents for the Cost of Service Study and presented to Secretary Patone. He indicated that the Commission staff assisted the Public Works crews with road paving projects. Supervisor Blomquist indicated that staff also assisted the Public Works crews with replacing the flooring of the salt bin area and sloped the flooring so that the water would run out. Supervisor Guyer went on to report that 12,926,570 gallons of water were purchased from Artesian for the month of November. Supervisor Guyer reported that the water operators are repairing curb boxes as needed. He went on to report that the staff

replaced the doors at the administrative office in addition to installing of carpet, painting and trim work. He advised that the fence at Basin Road well site was damaged due to an unknown vehicle. He indicated that a police report was prepared and the fence was repaired. He communicated that he and Assistant Supervisor Jaeger are developing the operating and capital budgets for the upcoming fiscal year. He went on to report that the Rick Duncan with Rural Water has stepped down as the contact person for the Homeland Security Grant and he will be reaching out to the new contact person, in addition he will be scheduling a vulnerability assessment to meet the requirements for the grant. He advised that he had been in contact with Ed Hallock with the Office of Drinking Water and been advised that there would be no requirement to test for lead and copper until the Commission is on the permanent PFC treatment system. He advised the PFC testing would be monthly on the temporary system and then monthly for the first six months on the permanent system at which time it would go to quarterly.

Supervisor Guyer indicated that as was previously reported the results of the first lab sampling taken for the temporary system resulted in detects of the contaminant slightly over the provisional health advisory limits. He reported that staff consulted with their engineers and Calgon Water and proceeded to pressure wash the clear well and make every effort to remove any residuals that might exist. He advised that the results of the second lab sampling came in well below the provisional health advisory and the City's wells were placed in service as of December 16, 2014 and Artesian Water's interconnection was turned off. Supervisor Guyer indicated that the system is working as designed. He also reported that he is investigating other labs that will perform the testing because Eurofins is located in California and he would like to avoid the shipping costs if possible.

Supervisor Guyer went on to report that the prefiltered sample was rerun as there were higher readings. He indicated that this raised a concern about whether the levels of the contaminant were increasing and that the design of the treatment system may need to be resized. He advised that he would be discussing this with the engineers, the manufacturer Calgon Water and had contacted geologist from the Delaware Geologic Survey group to discuss the aquifer. He reported that after speaking with the geologist he gained a better understanding of the Potomac aquifer. He advised that recent studies have revealed that the aquifer is not a confined aquifer as he had previously understood, he learned that it is a semi confined aquifer that does run up to the surface in areas and therefore it is not as protected from contaminants as was originally thought. Commissioner Appleby commented on the News Journal article regarding contaminants found at the airport near the Delaware Air National Guard in addition to the Dover Air Force Base (DAFB). Supervisor Guyer commented that he understood that Tidewater Utilities was taking over the DAFB water system.

Supervisor Guyer referred the Commissioners to his letter prepared December 1, 2014 addressed to Secretary Patone detailing his concerns about allowing cellular attachments to the Gray Street Water tank. He cited cost, maintenance, safety, access and security as some of the issues that exist with allowing third parties to attach devices to the City's water infrastructure. Commissioner Sippel expressed that he felt the letter was well written and that he had shared the concerns with Mayor Reese. Commissioner Sippel indicated that since the Commission did not currently have any attachments on their tanks that he felt that the current suggested revenue was not sufficient enough to warrant a change.

Supervisor Guyer completed his report with an update on the reporting agencies and that the water operators completed their class for the filtration system and they would be taking a test for certification in January 2015.

Commissioner Knox questioned the status of the USDA grant for the filtration system. Secretary Patone indicated that the application was submitted; she advised that the maximum allowed for the grant would be \$500,000. Commissioner Knox questioned whether a single audit would be required. Secretary Patone indicated that the current threshold is \$500,000 but that was to be increased to \$750,000 for fiscal year ending March 31, 2016.

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

FINANCIAL REPORT

Secretary Patone reported in Collections that the updated aged receivable schedules shows an improvement in collections over the past year as the over 60 days has decreased. Commissioner Knox questioned whether Reach Academy was within the Commission's service territory as he understood they would be closing at the end of the school year. Secretary Patone indicated that Reach Academy is a customer of the Commission and that they have a three month deposit on hand to address any issues of non-payment. She went on to report that she would be requesting approval of the template for a bond and letter of credit that she developed with Jeff Waxman from Morris James legal firm.

She reported the financial statements for the month ending November 30, 2014 show the Total Assets of \$14,440,148 with "Cash" decreasing \$161,000 from the previous month. In "Revenue and Expenses" the "Change in Net Assets" was a deficit of net assets in the amount of (\$22,000), \$19,000 from Water Operations and (\$41,000) from Electric Operations. She indicated that the purchase of water line item is over budget due to the water contamination issue in addition the electric revenues were down 2% compared to last year and 3% down compared to the budget due to a milder summer and some of the commercial locations being vacant for a portion of the year. She went on to report that the Water Department reflects an excess because there is a vacancy that has not yet been filled, in addition, the meter reading position and an office position were not filled in addition there are some valve replacements in repairs and maintenance that have not been done due to time being spent on the new system.

Secretary Patone advised that in "Control Procedures" Customer Service Manager Sandy Scott opened and reviewed the bank statements for November.

Secretary Patone indicated that accounting assistant Patricia Malloy has been preparing the majority of the monthly worksheets and journal entries. She reported that the investment activity has not yet been recorded but that she would be training her in that area soon.

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

SECRETARY'S REPORT

Secretary Patone reported that both she and Commissioner Appleby attended the DEMEC December 9, 2014 monthly meeting and holiday lunch. She advised that the University of Delaware DEMEC graduate fellowship recipient for wind research were present at the meeting. She indicated that the recipients thanked the board for the funding and described the type of research they were doing. She went on to report that DEMEC staff provided an understanding of the financial statement changes that were put in place mid-year. She advised that DEMEC will be having a two day strategic planning meeting in May for the Board members. She went on to report that Scott Lynch of DEMEC will be a member of the newly formed Energy Efficiency Advisory Council that was created by the State Legislator. She reported that the actual delivered energy rate was less than the budgeted rate in November 2014 which would add to the Rate Stabilization Reserve. She advised that DEMEC staff reported that rates were expected to increase due to a FERC proposed modification to the RPM Capacity Construct that would significantly increase future capacity obligation costs. She communicated that a penalty would be assessed to generation that was not able to perform when called upon. She went on to inform the Commissioners that some Municipalities utilize their PPA (purchase power adjustment) throughout the year to adjust for any changes in rates after the budget has been established. She went on to report that the Commission does not currently utilize a rate stabilization fund. She reminded them that the \$2.7M reserve was established by the 2012 rate study and put in place for emergency or catastrophic events. She advised that a rate stabilization fund could be utilized to even out the effect of energy cost changes throughout the year. A discussion ensued regarding natural gas prices and electric rates.

Commissioner Appleby asked Secretary Patone to update the Commission on the DEMEC audit committee. Secretary Patone advised the Commissioners that the Audit Committee participated in a workshop to better understand the PJM invoices and the financial statement presentation. She indicated that the committee members understood the changes and the audit fieldwork would begin in the first quarter of 2015.

Secretary Patone updated the Commissioners on the administrative staffing, she also advised that the accounts receivable and purchase order module were purchased and staff would be trained and control procedures developed in the beginning of 2015. She explained that currently purchase orders are hand written and not integrated in the accounting system. She communicated that the new modules would be integrated into the current accounting system and would be a significant time savings for staff. She went on to report that the annual billing audit would be taking place in January by both the water and electric department to evaluate classifications and ensure accuracy. Secretary Patone reported that the Commission administrative staff has for the past two years folded stuffed and mailed the City of New Castle business license's and passed along the postage costs to the City but contribute the labor.

OLD BUSINESS

Secretary Patone reported that the Solar Array and Well shut down were discussed earlier in the meeting. She reported that she and staff continue to gather information from other

Municipalities regarding the cost/benefit of antenna attachments to water tanks. She informed the Commissioners that although there are no attachments to the tanks currently the Commission developed antenna guidelines in 2010 and those guidelines have been distributed to Verizon. A discussion ensued regarding the economic benefit of these attachments and whether the revenues would be attributable to the general fund (City of New Castle) or whether they should be attributable to the water department (Commission). The aesthetics of the antennas were also discussed. The Commissioners requested that Secretary Patone provide pictures of tanks with similar attachments and to continue to gather information from other municipalities on how they address this issue.

Commissioners Appleby questioned whether the Commissioners had the opportunity to read the Employee Handbook and the Cafeteria Plan. Commissioner Sippel questioned the definition of "a consecutive period of 0 days". Secretary Patone indicated she would find the answer. In addition, the Commissioners questioned how often the plans are reviewed and updated. Secretary Patone indicated that she and the Business Manager would be reviewing and making any recommendations for updates on an annual basis. A discussion ensued on details of the benefits, specifically the education assistance benefit, and the wording regarding open enrollment for health insurance and life events, in addition to exempt vs non-exempt employees.

Upon motion made and unanimous approval, the Commissioners approved the Employee Handbook with the addition of a life event clause being added.

Secretary Patone indicated that the Electric Department Response Plan is being finalized and not yet ready for approval.

Secretary Patone went on to report that Assistant Supervisor Granger continues to work with the University of Delaware on the energy efficiency audits. She advised that two Commission buildings are complete and a report should be prepared within 45 days. She indicated that the City's building would be scheduled shortly.

Commissioner Appleby questioned the status of the LED street lighting. Secretary Patone advised that Supervisor Blomquist would be providing information to the DEMEC vendor so that an RFP can be provided. The Commissioners requested that an LED light be placed alongside a regular light to be able to see the difference in light.

NEW BUSINESS

Secretary Patone reported that her term on the Tree Commission will expire in January 2015 and that a new resolution has been presented at the recent City of New Castle meeting that will revise the Tree Commission. She indicated that the resolution would make the Commission an advisory group and would change the membership. She advised that if the resolution is not passed the Commission should be making a nomination for membership. The Commissioners discussed possible candidates and Mr. Dave Robinson, a local resident, was suggested.

Secretary Patone reported that the holiday recognition was distributed consistent with the previous year recognitions and which was provided via e-mail to the Commissioners. She reported that the USDA grant application was prepared by staff and signed by her and President Bob Appleby. She advised that some of the figures may change as they gain a better understanding of the on-going costs of the project. She indicated that the USDA representatives indicated that any changes could be submitted at a later date.

Secretary Patone indicated that she had provided a template for the letter of credit and performance bond for customer security deposits that was prepared and reviewed by Jeff Waxman of Morris James.

Upon motion made and unanimous approval, the Commissioners voted to accept the letter of credit and performance bond template for customer security deposits.

DECEMBER MEETING

The Commissioners set the date of the next monthly meeting to be January 26, 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 1-26-15
Date



Pamela A. Patone