

JANUARY 19, 2012

Minutes of the monthly meeting of the Municipal Services Commission held January 19, 2012 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  
Francis L. Patterson, Secretary  
Pamela A. Patone, Comptroller

MINUTES

With the concurrence of all the Commissioners the minutes of the December 20, 2011 regular monthly meeting were approved without alteration. The Secretary noted that an omission was discovered in October's minutes that failed to record a vote by the Commissioners regarding MSC's contribution to the City to be based on a formula. The formula would provide a contribution which equals 10% of the City of New Castle's budget (rounded off) on a yearly basis going forward. The Commissioners also agreed for the current fiscal year they would increase their contribution to the City by \$50,000, the amount Councilman Cochran requested. This would bring the total MSC contribution for fiscal year 2011/2012 to \$500,000. The formula and adjustment were passed in a unanimous vote by the Commissioners.

COMPTROLLER'S REPORT

Comptroller Patone reported that Converting Solutions filed a motion to extend the time to submit a plan to emerge from bankruptcy.

She told the Commissioners she is still working on a recommendation for commercial deposits. She said she will review attorney Jeff Waxman's recommendations with the Secretary.

She reported that in Assets & Liabilities cash decreased \$205,000 from the previous month due to the payment to J. Fletcher Creamer for the Buttonwood water main relining project. She went on to say that Accounts Payable are up \$71,000 also due to the Buttonwood project. In Revenue and Expenses, she said, the Change in Net Assets is in excess of \$478,000. She told the Commissioners that the 1¢ PPA credit to customers based on kilowatt hours sold resulted in a 56 thousand dollar reduction in revenues.

The Comptroller shared with the Commissioners her reconciliation report for the Dobbinsville substation telling them there was an estimated savings of \$686,681.85. Commissioner Appleby said the report does not reflect the interest DEMEC has earned on the money for the project. The Comptroller said he was correct and she will redo the report. She told the Commissioners as reported the previous month if the MSC wants the money transferred from DEMEC to their

account under the bond covenants 5% of the bond proceeds can be used for operating costs and interest during construction up to one year after completion of construction which would total \$698,000.

The Comptroller told the Commissioners in operations the IRS is requiring all pension plans be restated by April 2012 and Summit Financial is charging Two Thousand Dollars to do the work. She said the scanner and operating software will be installed the week of January 23<sup>rd</sup>, 2012 and training will take place then. She said after the scanner is installed she will address the front desk set-up. She ended her report by telling the Commissioners that Commissioner Sippel, Secretary Patterson and she are still working on the on-line bill payment options.

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

#### MEETING WITH UTILITY FINANCIAL SOLUTIONS (by conference call)

The Commissioners met with Utility Financial Solutions by conference call to review a draft rate study for water and electric. Mr. Mark Beauchamp and Mr. Mike Johnson of Utility Financial Solutions made the presentation going over the illustrated schedules portrayed in the draft report. They described their methodology in making the report and forming their recommendations. They answered the Commissioners, Secretary and Comptroller's questions at length.

The Commissioners were concerned about the size of the reserves recommended in the report as well as the affect new rates would have on individual customers. President of the Commission Appleby said he would like time to digest the information presented and that he felt the Commission should adjourn until Friday January 27, 2012 at 4:00 PM at which time the Commissioners can have a further discussion. He asked the Commissioners to be prepared to discuss the recommendations in the report. The Commissioners agreed it would be helpful if UFS could show how their recommendations would translate into actual rates so they could see the impact on different customer classes.

#### SECRETARY'S REPORT

Secretary Patterson reported that DEMEC met January 17, 2012. President McCullar reported to the Board there was an under-collection in November and an over-collection in December He said for the month of December the over-collection was \$163,293 and for the year \$861,545. He said that the Beasley generator ran only 1 hour in December. He went on to say that Beasley Unit #2 is in the process of being assembled. The Secretary said Commissioner Appleby and he met the new Assistant Manager for the Board of Public Works for the City of Lewes (Heidi Wagner) and the new Finance Director for Newark (Rob Uyttebroek). He said that it was reported at the meeting that DEMEC has supplied the Governor's Office with the information they requested regarding rates. The meeting with the Governor is scheduled for January 24, 2012. It was further reported that President McCullar met with Senator McDowell and discussed the Senator's interest in having the Municipal Utilities support the SEU's program by purchasing credits for small solar installations.

The Secretary said he has nothing to report on the Riverbend lawsuit. He said he is pressing Rick LaPenta of Insurance and Financial Services to have Chartis fully reimburse the MSC for their out of pocket legal expenses. He said the MSC received a Miss utility request to locate water and electric along the entrance road Aster Blvd. and the causeway. The Secretary said the road and causeway belong to Parkway Gravel and were never transferred into Riverbend's name. He told the Commissioners he understands that the County may have an issue with Riverbend regarding the sewer easement. He went on to say that City Council was approached by Ryan Homes at the last Council meeting and they would like Council to lift the age 55 deed restriction on Riverbend. Council advised Ryan Homes they need to go back to the Planning Commission and resolve issues the Planning Commission has with changes Riverbend wants to the planned unit development. Council also told Ryan Homes there are other outstanding issues including those with the MSC and with the structural integrity of the causeway. The Secretary said Ryan Homes is scheduled to make a presentation to the Planning Commission at the PC's January 23, 2012 meeting. The Secretary said the MSC has not been contacted by Ryan Homes to discuss water and electric and that he plans to attend the Planning Commission meeting.

The Secretary told the Commissioners he had nothing to report about the Business Parks.

The Secretary reported for Supervisor Blomquist in electric. He told the Commissioners the electric crew ran the primary from School Lane switch gear to the new transformer pad which will feed the Penn Farm. He added that the secondary wire for the project still has not been delivered. At the Dobbinsville substation there is a defective relay meter which is under warranty and consultant engineer Jim Havrilla has asked the manufacturer to replace it. Supervisor Blomquist is working on balancing the power factor over the circuits from the Dobbinsville substation. The electric crew is in the process of replacing two older poles as part of maintenance and training. The Secretary said the electric crew had the opportunity to demo a truck Dueco provided while Dueco is doing maintenance work on T-2. He continued and said Supervisor Blomquist will try and get trucks from Altec and Versilift to compare to the unit Dueco supplied.

The Secretary reported for Supervisor Guyer in water. He told the Commissioners that a field technician from Hach was performing maintenance on the CL 17 Chlorine Analyzer at School Lane treatment facility and while on site he also performed maintenance on a pH probe but used the wrong solution to clean the unit. The Secretary reported that this created some problems and Supervisor Guyer feels Hach should replace the unit. Hach wants to depreciate the unit and pay a prorated amount for its replacement. Supervisor Guyer is still negotiating. The Secretary said Supervisors Guyer and Jaeger are going through a learning curve with the SCADA system and learning that automation presents certain problems when an in-line analyzer fails. They are going to work with Keystone Engineering to make modifications to address problems they discovered. The Secretary reported that J. Fletcher Creamer is done at Buttonwood and has been paid. The Secretary said the MSC has finish work to do which includes repairing some patches, re-laying concrete sidewalks and gutters, and re-seeding some grassy areas in the spring. He told the Commissioners that Supervisor Guyer and he met with residents of Buttonwood on January 8, 2012 as follow up on the relining project to get community feedback. He said the reaction from those that attended was very positive for both J. Fletcher Creamer and the MSC. The Secretary said Supervisors Guyer and Jaeger reviewed with him cross connection control letters which will

outline the objectives of the program and the compliance requirements for inspection and certification. The Secretary briefed the Commissioners on the meeting the MSC and City Officials had with DelDot regarding the Washington Street rehabilitation project. The Secretary said the ball is in DelDot's hands as to what they will and will not do in replacing the water main on Washington Street. He said the MSC is awaiting their reply. The Secretary concluded telling the Commissioners after a course on rigging the MSC replaced OSHA non-compliant rigging and any worn rigging. He said Supervisor Guyer provided information on water for the Seeds of Greatness Church and he and Assistant Supervisor Jaeger continue to work on updating the Water Technical Specifications and tariff.

### OLD BUSINESS

The Secretary said he had nothing to report on the substations.

The Secretary said he submitted the Charter Changes to Senator Connor and the legislative attorney has been in touch with him to clarify the changes and he is now waiting to have the bill introduced. The Secretary told the Commissioners that the Special Exception to allow a well on the Penn Farm was approved by the Board of Adjustment and the MSC will award a contract to drill shortly.

The Secretary said as previously discussed he prepared an amendment to Appendix "H" of the MSC tariff "Net Energy Metering" that would make an approved application for attaching a generation source to the MSC's distribution system void if not built within 12 months of the application's approval. He said the proposed wording would read as follows:

"An approved application will be good for one year from the approval of the application. If the project has not been built and is not operational within one year of the approval of the application, the application is void and the applicant must reapply and their application may or may not be approved. If a project is partially built the applicant may apply in writing for an extension of the one year rule. Any extension by the MSC must be in writing."

Upon motion made and unanimous approval the Commissioners approved the above amendment to the section of the tariff titled Appendix "H" Net Energy Metering.

### NEW BUSINESS

Secretary Patterson said that DEMEC and Converge applied to have their designation as the approved CSP (Curtailment Service Provider) for the City of New Castle renewed for the calendar year 2012. Upon motion made and unanimous approval the Commissioners renewed Converge and DEMEC's designation as the only CSP for the City of New Castle. Commissioner Knox confirmed that this does not affect EnerNox that has a contract with Zenith until 2013.

JANUARY MEETING

The Commissioners set the date of the next monthly meeting to be February 16, 2012 at the office of the Commission, 216 Chestnut Street.

ADJOURNMENT

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

Approved \_\_\_\_\_  
Date

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Francis L. Patterson, IV