

FEBRUARY 23, 2012

Minutes of the monthly meeting of the Municipal Services Commission held February 23, 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 (by telephone)
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 January 19, 2012 regular monthly meeting and the January 27, 2012 special meeting were approved without alteration.

COMPTROLLER'S REPORT

Comptroller Patone presented her monthly financial reports telling the Commissioners in collections she asked Karen Lynch to research how other municipalities deal with customers who leave owing money. She asked Karen to make recommendations on a collection policy. She told the Commissioners she gave Secretary Patterson her recommendations for a commercial security deposit policy and he is in the process of reviewing it.

The Comptroller said in her financial reports the MSC is showing a change in Net Assets in excess of \$504,000 for the 10 months ending January 31, 2012. She went on to say this is down about \$100,000 from the previous month as was anticipated. She reported Net Operating Revenue is down due to the PPA credit of 1¢ on each kilowatt hour sold. She said there is also a reduction in cash due to the payment to J. Fletcher Creamer for the Buttonwood relining project and to reduced sales of electric because of the warmer weather. She said overall there is nothing unusual that stands out in the Income Statement, revenues are higher than budgeted and expenses are less than budgeted.

The Comptroller told the Commissioners she was unable to reconcile the substation expenses with Kimberly at DEMEC so she is using December's numbers. She added there has not been a lot of activity so the reconciliation should be fairly accurate. She added that the current report reflects the interest the MSC has earned. She said she would like the Commissioners to address what they want to do with unexpended funds for the Dobbinsville substation project. The Commissioners addressed the unexpended monies DEMEC was holding and reached a consensus that they should follow Bond Counsel's recommendation and reimburse the MSC 5% of the bond proceeds for operational costs and take the interest paid during construction back one year after completion of the project. Upon motion made and unanimous approval the Commissioners voted to have DEMEC return to the MSC 5% of bond proceeds for operational

costs and the interest paid during construction in the last year.

The Comptroller mentioned Commissioner Sippel, Secretary Patterson and she had a demonstration of “Payer Express” from PNC Bank and she is now awaiting a quote on transactional fees before the committee reports on “on-line” bill payment options.

The Commissioners, Secretary and Comptroller next addressed the rate study and information Utility Financial Solutions provided showing the affect of making the recommended adjustments to water and electric rates over a four year time frame versus one year while maintaining a 2.7 million dollar reserve. The Comptroller presented her analysis which showed the impact on a representative sample of each customer class. After a lengthy questioning session each of the Commissioners, along with the Secretary and Comptroller, then expressed their preference on how to apply the rate changes. The Commissioners found that they were in agreement and upon motion made with unanimous approval voted to apply all of the recommended rate changes in fiscal year 2013. The change would include an overall 12% decrease in electric rates and an overall 31.69% increase in water rates. It would also create a public fire protection charge to residential water customers and would maintain an approximate 2.7 million dollar reserve.

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

SECRETARY’S REPORT

Secretary Patterson reported on the February 21, 2012 DEMEC meeting in Smyrna. He told the Commissioners New Castle and Newark reported on their individual meeting with Governor Markell’s Chief of Staff, Geoff Sawyer describing the character of the questions and responses. The Secretary said Mr. Sawyer told him the Governor is frequently confronted with complaints from businesses about municipal electric rates. The Secretary said for the most part Mr. Sawyer is learning that each municipality has its own unique circumstances that affect electric rates. City Manager Kyle Sonnenberg of Newark described his conversation with Mr. Sawyer and the impact the University of Delaware has on its operations and budget. The Secretary said he told the DEMEC Board he tried to impress on Mr. Sawyer the investment New Castle has made in its electric system for capacity and reliability. The Secretary said Mr. Sawyer was interested if New Castle had done a cost of service study. The Secretary said he told DEMEC’s Board that Mayor Reese and Councilman Cochran attended his meeting and brought the cities prospective to the discussion.

The Secretary said the second item brought before DEMEC’s Board was an agreement DEMEC President McCullar worked out with AMP to mitigate the impact of running the Fremont generation plant twenty four hours a day seven days a week versus the sixteen hours a day five days a week DEMEC budgeted for. Commissioner Appleby asked the Secretary about the Board’s reaction to the initial recommendation that DEMEC continue 2011 energy rates until June 2012. He said it was dampened by the agreement the President negotiated. He said he brought up concerns about the contract for the output of the Laurel Hill Wind Farm. He said that DEMEC is obligated to purchase a certain amount of off peak generation which will need to be sold back into a declining market. He asked the President what impact this would have on the

overall portfolio cost of energy and was told that it would be negligible. He said he also questioned the Johnson Control deal for Middletown and the terms of energy purchase and how it affects the portfolio.

The Secretary reported on Riverbend in Old New Castle and said there is no activity on the lawsuit. He told the Commissioners that site Superintendent Joe George said Riverbend is obligated to provide water and electric to six lots being developed by Joe Capano, Jr. The Secretary said there was one electric cut-in-card for service to one of the townhouses on Arrowgrass Lane. He went on to say on the insurance claim he has been asked to provide evidence the deductible had been paid in order to get full reimbursement.

The Secretary reported in the business parks the water crew installed a new meter for building 400 in Centerpoint. He went on to say that a survey of the parks is being completed to determine compliance with the cross connection control program. He said letters will go out after the survey advising owners of the any non-compliance issues and timelines to become compliant.

The Secretary reported for Supervisor Blomquist in the Electric Department. He told the Commissioners there was a request from EnerNoc for curtailment data for Zenith Corp. in Riveredge Business Park. The Secretary said EnerNoc has a contract to provide CSP services until the end of 2013. Supervisor Blomquist reports the electric crew pulled in the secondary conductors for the Penn Farm. He said the MSC is still waiting for delivery of the area lighting and the Trustees electrician to complete his work before the out building services are complete. The Secretary said a Bitronics var and watt meter from the Dobbinsville substation was sent to the manufacturer for repair or replacement. The Secretary said Supervisor Blomquist witnessed evidence of turfing around the Dobbinsville substation. The Secretary said the Supervisor spoke to one man who was off roading his truck through the newly landscaped area. The Secretary said he approved additional fencing to try and eliminate any further damage. Supervisor Blomquist further reports that he has placed data collectors to monitor Dobbinsville substation circuits for power factor. The Electric Department reports that T-6 is in for regular maintenance with Dueco. They also report that they continue to perform regular tree maintenance. The Secretary further reported that Supervisor Blomquist has been working on the electric portion of the safety training manual.

The Secretary reported for Supervisor Guyer in the Water Department. He told the Commissioners, as reported previously Hach was performing routine annual maintenance on the analyzers for the SCADA system. The Secretary said adjustments were made to the Automatic Controls for the SCADA system to provide logic to operate when an analyzer fails or is out of service. The Secretary said the water crew is painting components and buildings at School Lane. Supervisors Guyer and Jaeger are working on Operation and Maintenance Manuals for water system upgrades. The status of the Buttonwood relining project was reported the previous month and there are no new updates. AC Schultes was the low bidder for the Penn Farm test well and is in the process of preparing the permit application to drill. Supervisor Jaeger completed annual reports for water usage for DRBC and for hazardous materials for DNREC. The Supervisors are getting quotes for security at water facilities for the budget. He continued and said the Supervisors are updating the safety manuals for water and working with the Comptroller on a billing audit.

The Secretary reported on the status of the Washington Street repaving project with DelDot. He reviewed with the Commissioners Supervisor Guyer's estimate for materials for the whole project and asked permission to negotiate with DelDot to provide materials in exchange for installation by DelDot. After discussion the Secretary was given permission to negotiate with DelDot and to report back to the Commissioners.

The Secretary shared with the Commissioners the scope of the work needed to bring water to the Seeds of Greatness Church on Route 273 across from the MSC's Frenchtown Road well. The Secretary said there is a meeting with Monika Sloan of McBride and Zeigler to discuss the project on Friday February 24, 2012.

OLD BUSINESS

The Secretary said materials to update the Control House at Wilmington Road substation are arriving. He said he approved installation of a drop ceiling in the Control House to cut down on heating costs. He said he has prices on security for the substation but needs a FIOS or cable line to communicate real time data. He said perimeter security is \$18,750 and cameras \$9,000. He said Verizon says there is no FIOS to the site. The Secretary said there is additional work required which Supervisor Blomquist reports was not in the substation budget. He said there needs to be sump crocks installed in the oil containment pits at Wilmington Road and Dobbinsville. He told the Commissioners the cost is \$3,100 to drill the holes for the crocks. He went on to say both Wilmington Road and Dobbinsville containment pits need to be painted with an epoxy that will protect them from water penetration. The Commissioners approved the work.

The Secretary reported on the Charter Changes telling the Commissioners the changes will not be introduced until after the Joint Finance Committee (JFC) develops their budget in March. He said Jack Klingmeyer is trying to garner support to oppose the City and the MSC's charter changes and force a referendum.

The Secretary said there is no action to be taken on the agenda item in regards to bill payments on line.

NEW BUSINESS

The Secretary said he had suggested a dedication reception for the School Lane and Dobbinsville projects with the Mayor and Council, the Trustees of the New Castle Common and other people involved in the project. He said he thought the Senior Center could be the venue. The Commissioners discussed the idea and gave their consent for the Secretary to organize the event.

The Secretary reminded the Commissioners at the end of March Commissioner Appleby's appointment to the Commission expires, a Secretary and Treasurer need to be appointed and wage and benefit for non-union and management need to be addressed. The Secretary said non-union and management employees have approached him about changes they are requesting so he will forward them to the Commissioners along with his recommendations.

FEBRUARY MEETING

The Commissioners set the date of the next monthly meeting to be March 15, 2012 at the office of the Commission, 216 Chestnut Street.

ADJOURNMENT

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

Approved _____
Date

Francis L. Patterson, IV