

MAY 24, 2012

Minutes of the monthly meeting of the Municipal Services Commission held May 24, 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

Special Guests: Joseph F. Bonasera and Jason A. Denton, Summit Financial

PRESENTATION OF PENSION INVESTMENTS AND ACTUARIAL REPORT

Mr. Joseph Bonasera and Mr. Jason Denton of Summit Financial made a presentation to the Commissioners on the performance of the pension investments and the actuarial evaluation that determines the MSC's contribution to the pension fund for the current fiscal year. Mr. Bonasera reviewed each fund and the Commission's exposure and recommended a change to the investment strategy in anticipation that interest rates may rise and hurt certain bond funds the Commission is invested in. Upon motion made and unanimous approval the Commissioners voted to follow Mr. Bonasera's recommendation. Mr. Denton told the Commissioners there was a slight decrease to this year's recommended contribution and this was due to the demographics of the pension group which is slightly younger than in previous years.

Commissioner Knox asked if Summit Financial handled retiree health benefits for any of Summits clients. Mr. Bonasera said they did, but for a limited number of clients that offer health benefits to retirees.

The Commissioners thanked Mr. Bonasera and Mr. Denton for their presentations and they left the meeting.

MINUTES

With the concurrence of all the Commissioners the minutes of the April 23, 2012 regular monthly meeting were approved without alteration.

COMPTROLLER'S REPORT

Comptroller Patone told the Commissioners the Converting Solutions bankruptcy plan was revised and accepted by the lien holder committee and by the Court. She said the plan will pay unsecured creditors 24.5% on the dollar. For the MSC that's approximately \$14,000 of the \$56,000 that was owed and will be paid over four years. Commissioner Knox asked if the

MSC voted against the plan. Comptroller Patone said it did.

The Comptroller said she had Karen Lynch in collections prepare a summary of the collection agencies the two of them interviewed in the order of preference. She said they will get references from the other municipalities that use them and make a recommendation at another meeting to hire one of the companies.

The Comptroller introduced the Tariff change language she drafted that would require up to a three month security deposit for electric on commercial accounts. The Commissioners questioned her at length about her rationale in drafting the changes. Upon motion made and seconded the Commissioners voted unanimously to amend Section IV, clause A, B & C to provide for up to three months security deposit for electric and the payment of interest to both residential and commercial cash deposits.

The Comptroller said the financial report is only for one month since it's the beginning of the new fiscal year. She went on to say cash is up due to receipt of \$350,000 from DEMEC from the substation funds. The Income Statement shows the MSC has a deficit of \$25,000 for the month. As expected water revenue is up and electric revenue is down due to the rate changes. She added that the front desk has been able to handle most inquiries about the changes. She said since the reports reflect just one month she does not have a lot to say about them unless the Commissioners have questions. She went on to tell the Commissioners since the week of May 7, 2012 the auditors have been doing their review. She said things have gone well and they haven't brought anything to her attention. She said there are several journal entries she still needs to do but she discussed presenting the audit at the Commission's June meeting if the auditors are able. The Commissioners said that would be fine. She told the Commissioners the Substation Report was reconciled to DEMEC. The Commissioners asked the Secretary what is left to be done. He said the new relays at Wilmington Road need to be installed as well as the battery backup and the SCADA. He said the Electric Crew is working on security. The Comptroller said there is approximately \$690,000 left in the accounts which needs to be dealt with.

The Comptroller next reported on the recommendations of the Committee for on-line bill payments. She told the Commissioners the Committee (Dr. Sippel, Secretary Patterson, Pam Patone) recommend PNC Payer Express to do on line e-checks and that the Commission absorb the costs just as it does for ACH Automatic Withdrawals. The Commissioners questioned her on the costs. She said the Committee is recommending a survey to determine the interest in accepting credit card payments with an applied fee to the customer. After discussion, upon motion made and unanimous approval the Commissioners approved accepting e-checks as a method of payment with the MSC paying the fee.

Commissioner Knox asked if there was a clothing allowance for workers. The Comptroller said yes but the men must turn in used clothing to get replacement garments.

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

SECRETARY'S REPORT

Secretary Patterson reported he attended DEMEC's monthly meeting on Wednesday May 23, 2012 in Smyrna. He said the major discussion revolved around the 2015 capacity auction where the price of capacity for the Delmarva South region came in at \$165.78 a megawatt day. President of DEMEC, Patrick McCullar, told the Board that DEMEC will receive capacity payments of \$167.46 for its Beasley generation. The Secretary said with the addition of Beasley Unit #2 DEMEC now owns 96 megawatts of generation. He added that President McCullar told the Board their AMP contract for energy from the Fremont plant entitles them to capacity payments in 2015 of \$357 a megawatt day for an additional 92 megawatts. The President said these payments will equal 17.7 million dollars in avoided costs to members. The Secretary said the low cost of natural gas and the restructuring of the AMP energy purchases means for the third month DEMEC has over-collected for energy sold to members resulting in a 3.7 million dollar reserve. The President speculated that if this continues there will be a truing up that may result in a rebate and a reduction in the billable rate to members in the Fall. The Secretary said that Beasley Unit #2 has a vibration issue they are working on and should be available for dispatch in June.

Secretary Patterson said that the Commissioners need to execute a resolution that authorized the President of DEMEC to enter into the Memorandum of Understanding (MOU) with Governor Markell. Upon motion made and unanimous approval the Commissioners adopted the attached resolution. The Secretary said the President needs to execute a tax form for DEMEC for the AMP Fremont financing. President Appleby signed the tax form.

Secretary Patterson said in Riverbend in Old New Castle he sent an e-mail to City Solicitor Dan Losco and spoke with Council President Barthel and City Administrator Thomas when he learned that Cecil Bank may be selling individual lots to Joe Capano. The Commissioners shared the Secretary's concern that the sale of lots would hold no one accountable to finish building the water and electric infrastructure or address issues the City had. Commissioner Appleby directed the Secretary to set a meeting with Cecil Bank to discuss their intentions. The Secretary said that Signature Design Homes owns four lots in Riverbend they are having Joe Capano, Jr. develop under his company Signature Design. He said electric has been established to Lot 24 which is the first home Signature Design has built but there is no water to the unit until they comply with MSC rules and regulation.

The Secretary said in Centerpoint Business Park UltraChem is working on the design of their 185 KW solar array. He said when the engineering is complete they will submit it to Supervisor Blomquist for review and approval. The Secretary told the Commissioners Supervisor Blomquist installed a pulse meter for Zenith in Riveredge Business Park at EnerNoc's request. The Secretary said EnerNoc paid for the metering and hook up. The Secretary said the Water Department is replacing meters in the business parks and are working on implementation of the Cross Connection Control program and compliance.

The Secretary said he would like to discuss the Seeds of Greatness Church which deals with both electric and water. He said he investigated whether Artesian was willing to connect the

church and bill the MSC for water at a wholesale rate. He said they are and the estimates are 50 to 100 thousand dollars depending upon the route used to make the connection. The Secretary said when the annexation of Walnut Hill (the Church building site) was proposed the MSC supported it because of certain benefits which would ensue to the MSC. He said those benefits were the control of dumping on the Walnut Hill site and therefore reduces a threat to the MSC's water supply. A second benefit would be the elimination of the plastic pipe crossing the Penn Farm which supplies the Taylor homes on Frenchtown Road. The Secretary said allowing the Church to hook up to Artesian takes away those benefits. The Secretary said working with the Water and Electric Supervisors he determined if the MSC gave labor to the project and the Church paid for materials, equipment and the cost to cross Route 273 for water and electric the project should not cost the Church any more money than they would have spent to just run electric and make the cheapest connection to Artesian. The Commissioners discussed the costs and the benefits the MSC would receive by donating the labor. After a thorough discussion the Commissioners told the Secretary to reduce the agreement to writing and if the Church was willing to sign it they would absorb the labor cost.

The Secretary reported for Supervisor Blomquist in electric and said that Trustee member Tom Clayton is the new point of contact for Property Development Committee. He went on to say that Mr. Clayton helped to identify where the area lighting was to be installed and the MSC executed the plan. He said that the Large Barn still needs to be energized but the MSC cannot do this until the Trustees' electrician makes the service connection. The Secretary said that Supervisor Blomquist reviewed the drawings for the new bucket truck with a representative from Versalift and signed off on the design. The Secretary told the Commissioners the Electric crew has weekly safety meetings in which they are using the APPA Safety Manual. The Secretary said Delmarva continues to miss bill for the MSC's electric consumption. Supervisor Blomquist told the Secretary that in the April bill the reading for April 30, 2012 shows incorrect readings resulting in a \$12,000 under billing for consumption. Commissioner Appleby asked if the MSC was going to get a large bill at some point. The Secretary and Comptroller said that is a possibility but the MSC is accounting for and providing a reserve to pay the under billed portion. The Secretary said he mentioned this ongoing problem to President McCullar at the monthly DEMEC meeting, so Delmarva is aware. The Secretary said that Delmarva did correct a power factory error they made that Supervisor Blomquist pointed out to them.

The Secretary reported for Supervisor Guyer in water. He said as reported last month the American Public Works Association will be touring the MSC water facilities on June 14, 2012. The Secretary went on to say that the design engineer feels the MSC's facilities represent what a well run water distribution system should look like. The Secretary told the Commissioners with the adoption of the capital budget Supervisors Guyer and Jaeger have ordered the door and window security for water buildings and have authorized tying them into the SCADA system. The Secretary told them weather has delayed the concrete and landscaping work to complete the Buttonwood water main project. He went on to say that J. Fletcher Creamer has been paid the retainage sum of \$37,000 to close out the contractor portion of the Buttonwood project. The Secretary said Supervisor Guyer is working with DeDOT to relocate the fire hydrant which is in the former Gambacorta Used Car Lot on

Ferry Cut-Off. The Secretary said the MSC just received a draft agreement from DelDOT for Washington Street. The Secretary said that Supervisor Guyer has had difficulty getting three quotes to do the railroad crossing for the jack and bore on Washington Street. The Secretary said the permit for the well at the Penn Farm has been received from DNREC. He added that there was some concern about the proximity to the Bellanca site and hazardous materials that had been buried there. The Secretary said Supervisor Jaeger has been working on the overall Safety Manual updating it to include sections that deal with pathogens and respiratory protection and other mandatory requirements. The Secretary said that the Water Department in conjunction with the Electric Department are working on a plan to update the automatic meter reading collection hardware and water meters. The Secretary said over the next three years the registers need to be replaced with new 10 digit ERTs. The irrigation system for the Penn Farm has been installed. The Secretary said the next quarterly newsletter will include the MSC Consumer Confidence Report on water. He went on to say that water personnel continue to receive training and schooling to maintain their water operators licenses and to bring them current on new programs such as cross connection control.

OLD BUSINESS

The Secretary reported on the substation status and told the Commissioners the MSC electric crew installed conduits and wiring for the Wilmington Road security system. He said Security Instruments are installing the perimeter towers, Keystone Engineering is tying this into the SCADA system and B-Safe is making the camera mounts. The Secretary said as always the MSC is waiting for Verizon to make the communication connection. The Secretary said Supervisor Blomquist fabricated the relay panel fronts and they were sent out to Color Works to be painted. He added that Norm Baron and Jim Havrilla asked for more time to revise relay prints before they come down to do the set ups.

The Secretary said Comptroller Patone and he went to Dover May 16, 2012 for the Charter Changes. He said the changes came before the Administrative Committee for a hearing and there was no opposition and it was voted out of Committee for presentation to the House for a vote. The Secretary said he expects the vote in about two weeks.

The Secretary said he included in the Commissioner's papers a letter from the Pension Committee saying after reviewing all the pertinent medical documents relevant to Tom Spicer's request for a disability pension they voted unanimously that he is permanently and totally disable and qualifies under the plan for a disability pension.

The Secretary said he is asking the Commissioners for a \$10,000 appropriation to remodel the front lobby and payment station and the front office area. After a lengthy discussion, and soliciting the opinion of the Comptroller, the Commissioners upon motion made and unanimous approval voted to appropriate the monies for the renovations. The Secretary said he also included in the Commissioners papers an estimate prepared by Supervisor Guyer to grade and stone the Utility Yard to store materials. Commissioner Appleby said he visited the site and concurs with what is proposed. Upon motion made and unanimous approval the Commissioners voted to appropriate 35 thousand dollars to grade and stone the MSC's

Utility Yard.

NEW BUSINESS

The Secretary said the Commissioners already addressed the commercial deposits in the Comptrollers Report.

MAY MEETING

The Commissioners set the date of the next monthly meeting to be June 14, 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

RESOLUTION

AUTHORIZING THE DELAWARE MUNICIPAL ELECTRIC CORPORATION TO EXECUTE A MEMORANDUM OF UNDERSTANDING WITH GOVERNOR JACK MARKELL REGARDING MUNICIPAL ELECTRIC UTILITY RATES; ECONOMIC DEVELOPMENT RATE; AND TRANSFERS TO GENERAL FUND FROM THE ELECTRIC FUND

WHEREAS, the City of New Castle owns and operates through its agency, the Municipal Services Commission an electric utility which services the electricity needs of all residential, commercial and industrial users within its designated service area; and

WHEREAS, the MSC is empowered exclusively by the laws of this State and its charter to establish the rates to be charged to its customers for the supply of electric power; and

WHEREAS, The Governor has called upon New Castle and its sister municipalities who are members of the Delaware Municipal Electric Corporation (DEMEC) to endorse a reduction in the rates charged to its customers in aid of the Governor's multi-faceted efforts to attract additional commerce and industry, and the jobs resulting there from, to Delaware; and

WHEREAS, the municipalities and DEMEC have negotiated a Memorandum of Understanding, a copy of which is appended to and made part of this Resolution, in which DELVIEC, on behalf of its member municipalities, voluntarily endorses certain measures regarding a reduction in electric rates and the transfer of electric utility revenues which are intended to enhance the economic development efforts of the Governor without conflicting with the legal and operational autonomy of the municipal electric utilities or the sovereign right and obligation of the Town/City, and of its sister municipalities, to have local control of its own budget and to respond to its financial needs as it sees fit.

NOW, THEREFORE, BE IT RESOLVED BY THE Commissioners of the Municipal Services Commission of New Castle does by these presents authorize the duly designated officers of the Delaware Municipal Electric Corporation to execute on its behalf and in its name the aforementioned Memorandum of Understanding with the Governor of the State of Delaware; and

BE IT FURTHER RESOLVED, that all of the officers and employees of the Town/City shall, for the stated duration of said Memorandum of Understanding, take or forego such actions as shall be necessary to implement its terms.

Signed this 24th day of May, 2012

Robert S. Appleby, President



Francis J. Batterson, Secretary

AFEC TAX CERTIFICATE

The undersigned DEMEC member that will receive a portion of DEMEC's share of American Municipal Power, Inc.'s Fremont Energy Center Project ("Participant") having read the attached 2012 Tax Questionnaire and Instructions and Explanatory Materials, certifies that:

Section 1. The information provided in response to the foregoing 2012 Tax Questionnaire is true to the best of the undersigned's knowledge and belief;

Section 2. This DEMEC Participant is aware of and will comply with the acknowledgements, representations, warranties and covenants regarding private business use, output contracts, consumption of its portion of DEMEC's PSCR Share of energy attributable to base capacity and peaking capacity in AFEC in Qualified Service Areas or Qualified Annexed Areas and cooperation all as set forth in Section 32 ("Tax Matters; Disclosure") of the AFEC Power Sales Contract executed by DEMEC; and

Section 3. The undersigned is authorized to execute this Certificate for and on behalf of the DEMEC Participant. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the information set forth herein.

WITNESS my hand as of the _____ '12' day of _____ 2012.

The Municipal Services Commission
of the City of New Castle, Delaware

By: _____
[Signature]

Name: ROBERT S. APPELBY
[Please Print]

Title: PRESIDENT
