

JUNE 16, 2011

Minutes of the monthly meeting of the Municipal Services Commission held June 16, 2011 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

Also in attendance was: Pamela P. Patone, Comptroller.

MINUTES

With the concurrence of all the Commissioners the minutes of the May 16, 2011 regular monthly meeting were approved without alteration.

SECRETARY'S REPORT

Secretary Patterson reported that the Board of Directors of DEMEC approved entering into a power supply membership with AMP (American Municipal Power) of Ohio and agreed to purchase 70 megawatts of power from their new combined cycle gas fired plant in Freemont Ohio. The Secretary said he e-mailed information to the Commissioners which was presented to DEMEC's Board. The Secretary added that the time period to sign the power supply agreement was extended to the end of June and the President was going to use that time to do additional due diligence.

Secretary Patterson next reported on the meeting between Secretary of Economic Development Allan Levin and President of DEMEC Pat McCullar regarding purported statements Secretary Levin made about wanting to see municipal utilities sold to Delmarva Power or the Co-Ops. Secretary Patterson said Mr. Levin conceded that he made the statement and that it reflected the sentiments of the Governor and some members of the legislature. The Secretary went on to say after much discussion the Board asked the Chairperson, Delores Slatcher of Seaford, on behalf of the municipals to contact and speak with the Governor directly.

The Secretary said DEMEC held a second Credit and Collections workshop for members. He said these workshops are very beneficial and are very interactive between the staffs of the municipalities to discuss best practices and share experiences of what works and what doesn't work in credit and collections. He went on to say he had just left the workshop prior to the Commission meeting and four of the MSC employees were still there including Comptroller Patone who would be late for the Commission meeting.

The Secretary told the Commissioners DEMEC was paying for him to attend the APPA (American Public Power Association) conference in Washington, D.C. as a DEMEC Board member. He said he has preconference courses scheduled for Saturday and Sunday June 18th and 19th dealing with smart metering and demand side management.

The Secretary spoke about approaches by the Delaware Electric Co-op to purchase some of the electric utilities who are members of DEMEC. He said he has been told that the Co-op is interested in the municipal systems because of the Commercial and Industrial customers the municipalities have which would help balance the Co-ops load.

The Secretary reported that Riverbend Communities, LLC was scheduled to go to sheriff sale on June 14, 2011 to satisfy the default to Cecil County Bank on 4.1 million dollars loan. He said that Riverbend declared Chapter 11 Bankruptcy to stay the sale. He said Mr. Capano continues to work on the project. The Secretary said that he is not sure how this will affect the suit by Riverbend against the MSC. He went on to say the MSC has asked the Court to dismiss the case and to stay discovery which is due June 27, 2011. He added that Riverbend's attorney has opposed that motion. The Secretary said the MSC has a hearing in front of the Judge on June 21, 2011 to plead its case. The Secretary said that Supervisor Spicer while on vacation suffered chest pains and was hospitalized in Norfolk Virginia. He said this complicates the discovery process until Supervisor Spicer returns. The Commissioners discussed the bankruptcy process and the existing service to residents at Riverbend.

The Secretary advised the Commissioners that the purchaser of 807 Lamprey Lane in Riverbend had been in several times to apply for service. He said she was told that there still was no electric to her home. He said she told him and the Comptroller that an electric meter was placed on her house. The Secretary said upon investigation the meter was a private meter installed by Mr. Capano's people to meter the electricity she is getting from the sample house. The Secretary told the owner that she needed to talk to City Administrator Thomas to clarify how she was able to get a Certificate of Occupancy from the Building Official without permanent electric service.

The Secretary reported that the Comptroller, Water Supervisors and he attended the AWWA (American Water Works Association) conference in Washington. He said Comptroller Patone took classes for her CPA license and the Water Supervisor and he took classes on water related topics. He said one session was on the reauthorization of the Clean Drinking Water Act and its history which he found very informative. He described the subject matter and a discussion regarding the EPA and the Act ensued.

Secretary Patterson told the Commissioners the Supervisors and he talked with Itron about AMR (Automatic Meter Reading) updates that can be installed on the existing Badger water meters when the batteries need to be replaced. The Secretary said this is an attractive solution to extending the life of the current water meters which staff will investigate more thoroughly.

The Secretary said there is nothing happening in the business parks only a rumor about a potential large warehouse user who is looking for a site to consolidate his business.

The Secretary gave the electric department report for Assistant Supervisor Blomquist who was filling in for Supervisor Spicer. He told the Commissioners the electric department quoted Site Supervisor Joe George the cost for inspections for 807 Lamprey Lane at Riverbend. He said Mr. Capano was present when Supervisor Spicer delivered the quote and was verbally abusive to Supervisor Spicer and threatened him with a personal lawsuit. The Secretary went on to say that Mr. Capano did not supply the MSC with inspection deposits and the MSC did not witness any of the cable testing Riverbend performed or any other work he might have done. The Secretary said as reported earlier there is no electric to 807 Lamprey Lane. He told the Commissioners Ms. Parrot (Signature Design Homes) called the office and requested a Choice Packet. Comptroller Patone returned her call and told her the MSC is not subject to energy choice since we don't compete for service outside our territory. He added Mr. Capano got on the phone and told her the MSC was violating federal law. He directed the Comptroller to respond by e-mail and ask what statute Mr. Capano and Ms. Parrot believe the MSC is violation of and we would investigate. He added they have not responded.

The Secretary said that in Riveredge Business Park both Supervisor Spicer and Assistant Supervisor Blomquist were working on applications for solar installations at TA Instruments and Standard Distributors. The applications are also being reviewed by Norm Baron of Utility Engineers. Commissioner Appleby questioned how they are compensated. The Secretary explained the Net Metering appendix in the tariff and that they receive solar RECs (Renewable Energy Credits) they can sell.

The Secretary reported that Assistant Supervisor Blomquist said there are still some problems with the security alarm towers at the Dobbinsville substation which he believes have been fixed. He went on to report payment reconciliation for the Delaware Street and South Street projects is complete. The Secretary further reported that the MSC's coincidental peak power factor was below the 98.5% required in the transmission agreement with Delmarva Power. He said he has communicated with Marianne Abdul, Delmarva Power's liaison, that the Supervisors are working with our engineer Norm Baron to identify and correct the problem. He said the addition of the new substation has changed the dynamics of the distribution system and has affected the power factor.

The Secretary said Assistant Supervisor Blomquist reports the men are doing a lot of tree trimming. He added that T-7 which is the oldest bucket truck (1988) which is used for tree trimming has a number of mechanical problems which are estimated to cost \$5,500 to repair. He told the Commissioners he will look at the options before recommending what to do. Commissioner Knox noted there was \$140,000 in the fourth quarter of the next fiscal year capital budget for a new bucket truck. He asked how much time does five thousand dollars buy you. The Secretary said that is what he has to evaluate.

COMPTROLLER'S REPORT

The Comptroller said she did not prepare an Executive Summary because it was the beginning of a new fiscal year and she thought her reports warranted more detail. She presented the Accounts Receivable update saying that the 30 to 60 day delinquent number was up because a corporate customer with a large use was behind in payments. She told the Commissioners the

Secretary and she met with the customer and they are now making weekly payments but are still not current. The Commissioners questioned her for more details. She said that a follow up meeting was warranted to bring the account current. A discussion of security deposits in relation to bankruptcy ensued. The Comptroller explained her options in securing the MSC's position.

She next addressed the Balance Sheet and the Statement of Net Assets in which she said that Current Assets increased \$43,000 due to cash and accounts receivable, Investments increased \$8,000 and Net Fixed Assets decreased \$16,000 due to depreciation. She added that Total Assets increased approximately \$35,000.

She next reviewed Liabilities and Net Assets describing reasons for any increases telling the Commissioners that the Change in Net Assets for the two months ending May 31, 2011 is in excess of \$56,000.

She told the Commissioners the Statement of Revenue, Expenses and Changes in Net Assets in comparison to last year is consistent. She said she sees nothing that is significant. She said when compared to the Budget again she doesn't see any significant trends that bring her concern.

She included in her reports a reconciliation with DEMEC for the Dobbinsville Substation through April 30, 2011.

She reported on the audit telling the Commissioners the fieldwork was complete, legal letters were received, a draft was expected shortly and a presentation should occur in July. She said in operations she was collecting documents as part of discovery in the Riverbend lawsuit. She went on to say that she does a payroll audit every six months and her audit found no issues. She told the Commissioners she attended the AWWA Conference in Washington where she was able to take courses for Public Officials which counted towards her continuing education requirements for her CPA license. She said that she asked about cash reserves at the conference and what other bodies think is a proper number and she was floored to learn that several organizations felt that one year's expenses was adequate while another felt 600 days was the proper number. She concluded her report by mentioning that there would be a webinar over changes in Billmaster and that a number of office staff participated in a DEMEC credit and collection workshop that was held earlier in the day.

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

Commissioner Knox questioned the policy regarding use of the company credit cards. It was agreed that Commissioner Knox will act as a control and sign off on the statements.

The Secretary said he had under New Business a discussion about doing a utility rate study. He said Comptroller Patone has asked him about previous studies because it was one of the topics discussed at the workshops she has attended. Commissioner Appleby said DEMEC was going to do an electric rate study and was the Secretary suggesting the MSC get someone to do the water. The Secretary said it was not his impression that DEMEC was going to do a rate study but have a company do a comparison of rates between members. Comptroller Patone said that in the

different workshop dialogues she participated in, five years was considered too long between rate studies. A discussion about a study ensued. The Commissioners asked the Comptroller to identify companies who do this work and some cost parameters.

SECRETARY'S REPORT CONTINUED

The Secretary reported for Supervisor Guyer in water that at Riverbend they continue to flush the system to maintain the water quality. The Secretary said that he directed Supervisor Guyer to notify Fire Marshall Jeff Bergstrom and Goodwill Fire Company about fire hydrants at Riverbend that are non-functional. The Secretary said Supervisor Guyer reports he paid Layne Christensen \$11,000 for work completed to date, that Keystone Engineering wired the Mag Meter for SCADA which feeds Artesian, the fencing for Frenchtown Road and Gray Street has been ordered but takes four to six weeks for delivery, Quantum Electric wired the tank level transducer for the million gallon tank, MSC water crew replaced the Mag Meter in the Artesian interconnection room. Supervisor Guyer further reported that he has been issued a certificate to operate from the Office of Drinking Water and is now filling the million gallon tank. The Secretary told the Commissioners that water crews will be flushing the mains starting June 20, 2011. He went on to say the Mayor Reese forwarded a complaint from a Buttonwood resident regarding discolored water. The Secretary said the MSC is now providing cases of bottled water to anyone who has a complaint. Commissioner Appleby asked for the status of the Buttonwood main relining project. The Secretary said they have decided to use an RFP process rather than developing bid documents to speed the process. Staff have identified the three contractors they will solicit proposals from. When the RFP document is done the MSC will have Kevin Pampuch of URS review it and it will be sent out.

Commissioner Sippel said he was contacted about a water leak at 136 West 8th Street and called water operator Tom Brewster to report it. He asked for the proper way to deal with complaints. He was told he could call the Secretary or the Supervisors.

The Secretary mentioned that the CCR (Consumer Confidence Reports) have been mailed to MSC customers and copies of Artesian's report have been sent to Boothhurst customers. Supervisor Guyer attended a workshop meeting to review three plans DelDot is working on in the city. Erv Thatcher gave Supervisor Guyer a DelDot contact who is working on resolving the MSC's problems with the resurfacing of School Lane. He concluded by saying that Supervisors Guyer and Jaeger as well as he attended the AWWA Conference.

Commissioner Appleby asked why water usage was declining over the past three years. Secretary Patterson said weather and the economy are factors in water usage. The Secretary said Artesian is experiencing the same decline.

The Secretary told the Commissioners he spoke with City Administrator Thomas and Council will address the MSC request for a Charter change in July. He said he notified the MSC's State Legislators that the MSC hopes to have changes for the January 2012 session.

NEW BUSINESS

The Secretary said the Commissioners already discussed a review of rates.

JUNE MEETING

The Commissioners set the date of the next monthly meeting to be July 26, 2011 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