

Municipal Services Commission  
Monthly Meeting  
February 23, 2017, 4 p.m.  
216 Chestnut Street  
New Castle, Delaware

The meeting was called to order at 4:01 p.m. with Dr. Roy Sippel, Commissioner, presiding.

Present: Dr. Roy J. Sippel, Commissioner, President  
Daniel F. Knox, Commissioner  
Hickman Rowland, Commissioner  
Pamela A. Patone, Secretary

Staff in Attendance: Jay Guyer, Supervisor, Water Department; Mary Jane Stubbs, Business Manager/Treasurer; Tara French, Customer Service Manager

\*Valarie Leary, resident, joined the meeting at 4:08 p.m. to learn more about the MSC.

Minutes – Regarding the carbon filtration system reported on page 6, Mr. Knox asked if Mr. Guyer has any sense of life expectancy of the carbon. Mr. Guyer said this is the MSC's first experience with it. Calgon cannot provide a definitive answer. Secretary Patone reported that Calgon can run a test to get an estimate, but we did not feel the cost (~\$18,000) was warranted. Mr. Knox said if it is less than 12 months there would be no reason to capitalize the expense. Secretary Patone does not anticipate it to be less than 12 months. Based upon the test information collected from the temporary system installed in 2014, Mr. Guyer said we should expect to get 3-4 years of service out of 20,000 lbs. of carbon. He said there is no way to know how the original carbon from the temporary system settled after it was slurried over to the new vessel No. 1.

**A motion was made and seconded to approve the minutes of the 1/31/17 monthly meeting as distributed. The motion was seconded and approved.**

**A motion was made to approve the 1/31/17 executive session minutes as distributed. The motion was seconded and approved.**

Treasurer's Report – Treasurer Stubbs reporting

Treasurer Stubbs reported a total operating cash balance of \$2,548,287.13. PNC escrow and meter deposit total in the amount of \$811,309.69. Total cash balance is \$3,359,596.82. Total investments are \$1,068,433.63. Treasurer Stubbs reported the bank statements were reviewed by Customer Service Manager Tara French. Ms. French's questions were answered satisfactorily by Treasurer Stubbs. The checkbook register is attached to her report.

Nepotism and conflict of interest – Treasurer Stubbs informed that several questions have been raised warranting further research. She said the document should be available for the April MSC meeting.

**A motion was made and seconded to approve the disbursements as presented. Motion approved.**

Customer Service Report – Ms. French gave an update on the billing issues reported last month. 730 Ferry cut-off (Portofino's)—They had difficulty reaching the current customer of the business. A letter was sent to the current customer and a bill reflecting the corrected balance was issued.

Secretary Patone spoke to Dan McCollom. Mr. McCollom advised we should proceed with speaking to the current account holder about their portion of the refund and explain that the overbilling did occur prior to their owning the business and that the MSC will move forward with a refund to the previous account holder. If the current account holder believes they have a claim it is their responsibility to communicate it to the Commission. Secretary Patone advised there have not been any claims to date.

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New Castle Little League -- Ms. French and Secretary Patone spoke with President Joe DiStefano and Vice President Jennifer Roberts of the New Castle Little League Board (NCLL) to discuss their under billing. We walked the property and discussed their meters and what goes to their meters. Mr. DiStefano and Ms. Roberts have spoken to their board and will get back with us with the NCLL's suggestions on how to pay the under billing. Secretary Patone said that Mr. DiStefano and Ms. Roberts understand the situation and are taking steps to address the issue. Further, she said they now know how to shut off their lights to minimize consumption.

Standard Distributing – Ms. French and Secretary Patone met with the customer about the overbilling on their account. They also discussed their LED lighting and other incentives.

Meters – It was discovered that a water meter at 30 Market Street, Division of Historical and Cultural Affairs, is not sending correct readings back to the software. A test meter was put in next to the original meter to confirm the existing meter was working properly. We learned the problem was with the computerized portion of the meter malfunctioning.

Ms. French continues to work with the Electric Department working on commercial accounts for the billing audit, determining whether any of the accounts should be changed from a medium commercial to a small commercial or vice versa. She reported this will be completed by the next meter readings on 3/12/17.

Water Meter Survey – Data is being reviewed, but no changes have been made as of this date.

Cross Training – Ms. French informed that Customer Service Representatives (CSR) will begin cross training on 3/1/17. The goal is to ensure that CSR's are trained in all areas of the department and are able to provide seamless service when a CSR is on vacation or sick.

Electric Department Report  
(See attached report.)

Water Department – Mr. Guyer reporting.  
(See attached report.)

City Street Repaving – No update from the City on which streets will be included. Mr. Guyer thinks that repaving on Delaware Street will extend beyond Third Street because of the rough surface. He said that part of the MSC's scope of work goes to Fourth Street to allow for any future cleaning and lining in that area. As part of the Echologics Acoustic Testing it was determined the pipe on Delaware Street is in good enough condition to line. Mr. Guyer estimated the planned work should give the MSC 50-75 years of life out of the main.

Secretary Patone will talk about revisions to the capital budget for three projects involving the Water Department. Some costs are coming down significantly because on the 9th Street Project the main will be cleaned and lined from Tremont Street to Clayton Street rather than being replaced.

Private Well Ordinance Summary – Mr. Guyer and Ryan Jaeger have prepared a draft ordinance that was reviewed by Secretary Patone. The Water Department made several revisions. Based on recommendations from the Water Department and Department of Natural Resources and Environmental Control (DNREC) there should be clarification to the tariff and the well ordinance with the City. DNREC is aware we are working on the document and will be presenting it to the City.

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Mr. Guyer explained the proposed changes to the ordinance. Section 193 in the City Code addresses wells and water supply in the City, but does not address private wells. Based on the DNREC letter, Messrs. Guyer and Jaeger gathered information and reviewed the City Code and the MSC's tariff and spoke with DNREC about how other municipalities are addressing the matter. Mr. Guyer is dealing with the City ordinance for the customers in the City limits and our Tariff to cover the 18 customers who reside outside the City limits but receive water service from the MSC. He said we need to strengthen our tariff to make sure it is appropriately worded to not allow for private wells. Private wells include agriculture wells, irrigation wells, and private residential wells. These wells take water from the City's water supply. This negatively impacts the supply and creates a contamination concern. Mr. Guyer said in order to preserve and protect our water supply we will need cross connection control language that would not allow for any private wells in the City except for dewatering wells for construction purposes or monitoring wells. Permission would be needed from the MSC for dewatering or monitoring wells and they would have to be drilled in accordance with DNREC's well drilling standards. If a well is going to be abandoned it would need to be done per DNREC's abandonment standards.

Secretary Patone clarified there are no known private well issues in the City at this time. The purpose of the ordinance is to address any potential wells going forward in the City.

Mr. Guyer believes the proposed ordinance with suggested changes addresses cross connection control, water supply preservation and is a good document to take to the City for their consideration. Only the ordinance needs to go to the City. Secretary Patone informed that City Council President Linda Ratchford and City Administrator Bill Barthel have been notified and she will be meeting with them. Changes to the tariff will be presented in April.

The Commissioners acknowledged their unanimous support for the amended ordinance.

*(With no further business to discuss, Ms. French, Ms. Stubbs, and Mr. Guyer were thanked and left the meeting.)*

Financial Report Executive Summary – Secretary Patone reporting.

*(For the period ending 1/31/17)*

Tricia Malloy, accountant, prepared financial reports for the 10-month period ending 1/31/17. Total assets of \$16,483,419; a decrease in cash of \$11,567 from the previous month.

Property, Plant and Equipment – The line item increased and details for completed projects was provided. (Delaware Street Underground Loop, Booker Circle project, steel doors on the utility building)

Revenues and Expense Report -- As of 1/31/17 we had \$223,000 surplus of net assets; \$39,000 from water and \$184,000 from electric. The entry of \$190,000 is for capitalized labor resulting from the noted capital projects. For accounting purposes they are capitalized and removed from revenue and expenses.

Operating Expenses – Per budget to date, Ms. Malloy detailed line items.

Total budgets – They anticipate being under budget because of under staffing in the Customer Service Department and Water Department.

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Pension – We budget for the plan and the actuary gives us information regarding funding levels. The entry of \$12,000 in total is a matter of timing of when we prepare the budget versus when we receive the actuary report.

Secretary's Report – Secretary Patone reporting.

DEMEC – President Sippel and Secretary Patone attended the monthly DEMEC meeting on 2/21/17. Financial reports were approved as presented. University of Delaware Graduate Fellowship Program (*DEMEC provides funding, specifically for wind power*) -- Three presentations were given. The first was the Block Island Offshore Project that surveys the perception of wind energy. The study was studying the perception of wind energy noting that Europe uses wind power more than the United States. There are no conclusions to date as to why this is the case. The surveys are continuing. Wind turbines have been in place for one year and they are now getting feedback from residents.

The second presentation was on hybrid wind farm parameterization. They use a mathematical model to address and understand turbulence created by each blade and how much power is created by each turbine.

The third study was an assessment of property in Sussex County. The study evaluates the financial viability of installing wind farms in certain areas based on weather reports, wind speed based on location, number of turbines, and how close the turbines are to other individuals. The cost is still more than what could be bought elsewhere; however, costs have been going down over the last ten years. They are finding that with improvements in technology, they are able to utilize software to monitor the blades on wind turbines to capture the wind better and increase production 2%-3% over the last 2-3 years. The payback period was 10-18 years and the cost was in the range of \$56-\$84 per MWh.

CPower – (*CPower is the exclusive provider of demand response for all municipalities belonging to DEMEC.*) Their presentation was on the different school districts and municipalities and companies who have earned payments through the Demand Response programs over the last year. They are expanding their program from June to September to a timeframe of May-October. Payments will increase over the next couple of years due to the expanded timeframe, but will taper off to where they are now. DEMEC is asking for the MSC to vote in April for CPower to continue to be the exclusive provider for demand response within our community.

Secretary Patone reminded that she and Messrs. Blomquist and Guyer have been talking about trying to aggregate potential City locations and hours where we could possibly respond to demand calls and get some of the benefits. Specifically, the MSC would look at being able to manage when the water pumps are on and off.

A resolution was presented to designate DEMEC President Patrick McCullar as the DEMEC representative on the American Municipal Power (AMP) board. No report was presented for the Executive Committee.

Audit Report – As Chair, Secretary Patone reported the Audit Committee met on 2/9/17 to review financial results from last fiscal year. All financial transactions and journal entries have been recorded. The planned audit calendar was prepared and the committee met with the auditors after the board meeting. The committee understands what testing they will do and areas they will concentrate on.

Beasley Units – Mild winter to date; no activity to report.

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DEMEC staff updated the Board on construction projects: Construction projects are moving forward.

Economic development projects: No activity report.

Legislative:

DEMEC staff is reviewing net metering and making suggestions on improvements. There was a discussion with Senator McDowell (author of legislation) who felt it may be premature to make changes to the legislation. Nothing further to report at this time.

Training:

4/22/17 – Smyrna's Mayor requested having education on rate making for electric and possibly water. The MSC has a cost of service study done by a consultant. Smyrna is interested in getting training first before deciding on hiring a consultant. DEMEC is inviting all communities to the training. Secretary Patone will RSVP for anyone wishing to attend.

Green Energy Program – AMP Energy Efficiency Program – DEMEC has presented to Seaford and they have approved the program. The towns of Clayton and Smyrna have had the presentation and both are considering it. Not all municipalities have had the presentation and/or indicated their interest. DEMEC is asking the MSC whether we have made a decision. Secretary Patone explained the MSC will be looking at its budget and she will get back to them with a response.

Business from the Floor – Dover City Manager Scott Koenig reported on a Dover City Council Special Retreat Meeting where the Dover Chamber of Commerce presented a white paper from Bill Andrews, CEO of the Delaware Electric Cooperative (DEC), suggesting that all municipalities should discuss the sale of their electric utilities and the proceeds be placed in a trust fund for the city's benefit. The DEC would like to consolidate municipal electric utilities because they believe they are better suited to provide electric at lower costs. DEMEC's response is that some of the municipalities are comparable to their electric rates and, if not, there is significant general fund transfer given to communities so they are benefiting from cash contributions to the city and, in addition, all the labor, etc. that departments provide to city council. DEMEC cautioned to look at what they are receiving from public power. Also, if the utility were sold to the DEC they would lose local control. The reason why DEC wants to purchase municipalities is because they are valuable. DEC only services residential customers. Having a commercial and industrial base in your electric load is a significant advantage within our service communities. Secretary Patone acknowledged there may need to be third party consultants utilized to evaluate the assessment. Dover is looking for DEMEC's assistance in educating people on the value of public power.

OLD BUSINESS

Riverbend/Parkway Gravel – Secretary Patone reported there has not been contact with Parkway Gravel since the last meeting. She has been contacted by Tom Ahern, Senior Vice President of Cecil Bank, indicating the bank met with a realtor. A buyer is looking at the property. They wanted to have access to the approved electric and water plans at Riverbend and Secretary Patone accommodated the request. They also requested copies of City plans, developer agreements, and deed restrictions. Arrangements were made with Building Inspector Jeff Bergstrom to secure copies and get those documents to them. They are not interested in the MSC finishing out the infrastructure. Secretary Patone made them aware that the MSC was approached by Parkway Gravel about the infrastructure. They believe the builder would want to finish out the infrastructure themselves. Secretary Patone said

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we have approved plans and as long as the infrastructure is in accordance with approved plans there is no problem.

Secretary Patone said the capital budget identifies Riverbend Phase I as installing electric infrastructure from the substation to the PMH-9 electric substation. The item will be removed from the capital budget until further notice.

Free Service/Nonprofit Update – Secretary Patone is still working with the Trustees to identify their easements.

Capital Budget Revisions – *(budget information provided to Commissioners)*

Under Electric Projects – Recommended changes:

- Riverbend Substation – Removing until further notice
- Dobbinsville Water Main Relining – Adding \$7,000 from the \$250,000 previously approved (relates to additional paving and change on Clark Street). Note: As a result of New Castle County doing work on Clark Street we felt the water main was destabilized and we decided to replace the water main and finish the paving on Clark Street. Total: \$257,000
- Water Main (9<sup>th</sup> Street from Delaware Street to Tremont Street – Replace that portion and Tremont Street to Clayton Street-clean and reline) -- \$90,000 from \$247,000 (Included replacing materials for all of the work plus labor and equipment)
- Delaware Street Water Main Relining – This was originally estimated at \$1m. The work was spread out over two years. The MSC's intention was to do the work in one year before the City's paving and other projects on Delaware Street begin. Since we have J. Fletcher Creamer & Son, Inc. working on the Dobbinsville relining project we decided to roll them over to the Delaware Street project. (\$621,000 plus a 10% contingency)

We would like to get the Delaware Street relining project started sooner than originally planned. As a result we will begin communicating the work to the public right away. Secretary Patone met with City Administrator Barthel to discuss any conflicts. She has met with Mr. Bergstrom to coordinate timing with curb work the City is planning. The goal is to have the work completed before Separation Day. There will be temporary water services provided to affected customers (free water). Some traffic control will also be in place.

Software Package Conversion Module – Secretary Patone requested approval to issue a purchase order in the amount of \$11,625. She spoke to the salesperson that provided the original quote (\$17,000) who took full responsibility for the module not being part of the quote. Customer Service Representatives are currently reviewing demonstrations of the software. The Accounting Department has also been working with the software.

Mr. Knox asked Secretary Patone for her thoughts about performance of the pension fund. She has not received the quarterly report yet. The expectation is that the fund will show improvement. She plans to revisit the matter next month.

**A motion was made to approve the capital budget in total with revisions. The motion was seconded and approved by unanimous vote.**

NEW BUSINESS

Operating Budget Draft – The personnel budget was approved in December 2016. In January 2017 assumptions were presented for the operating budget. The intention is to review the draft budget tonight with a final budget presented at the March meeting.

Appropriation to the City – The amount is based on 6% of our user charges. Secretary Patone will not have those numbers until 3/31/17.

For the remainder of the budget, all due diligence has been done to get good estimates. One thing not reflected is our cost of service, i.e., hiring a consultant every three years to look at our water and electric customers, loads and costs associated. They make recommendations thereafter. The cost for that consultant for water and electric has been approximately \$22,000 to \$23,000. This work (in this fiscal year) would be for any changes to be implemented on 4/1/2018. She anticipates this operating budget to be a deficit of about \$55,000. She noted the amount is approximately the same as the pension amount. The pension figure should be on the operating budget and not the capital budget as was previously presented. Secretary Patone is fine with the \$55,000 deficit considering the purpose.

Within the operating budget a reduction in electric rates is being implemented as a result of lower cost to purchase electricity from DEMEC. Lower gas prices over the past few years has allowed DEMEC to enter into more favorable contracts. The reduction will be in the form of a negative purchase power adjustment until the next Cost of Service Study is completed and the change will be implemented into the rate structure. At the request of the Commissioners, Secretary Patone developed a presentation to make communication of the changes clearer. The first proposed rate change is to approve the Energy Efficiency Program presented at the January MSC meeting which would be a .90 per 1,000 kWh charge. She reminded Commissioners that the State of Delaware has required Delmarva Power and the Delaware Electric Cooperative to develop an energy efficiency program. DEMEC is proposing the municipalities adopt the plan presented by AMP so the municipalities are also promoting energy efficiency. The increased cost DEMEC would charge the municipalities is the .90 per 1,000 kWh which is the same rate that DEC is charging for their energy efficiency program. Secretary Patone is proposing a negative power purchase adjustment equating to \$2.30 per 1,000 kWh as a result of the decrease in cost. Mr. Knox asked for the percentage of the reduction. Secretary Patone said it ranges from 2% to 3% based on the rate classification (residential, small commercial, medium commercial, etc.). The average residential decrease is going to be 2%. The total reduction would be \$1.40 if Commissioners approve both the Energy Efficiency Program and the rate reduction. By the next meeting Commissioners will know better what other municipalities are doing with the Energy Efficiency Program.

Mr. Knox asked if the energy efficiency fund charge will be shown separately on customer bills. Secretary Patone is recommending it be shown separately and said the CSR's will be educated on the fund so they can explain to customers. The fund will be similar to the Green Energy Fund (State mandated). We collect the funds and send to DEMEC. DEMEC administers the funds and ensures the funds are utilized in the City of New Castle in accordance with our request. (Ex.--helping to provide energy efficiency light bulbs to residential customers in our town, helping an older commercial park to revamp lighting, have consultants identify efficiencies in their building so they can stay in the City.)

Secretary Patone is interested in the benefits the Energy Efficiency Program would have for our commercial parks. We need to help them to find ways to stay efficient and remain in the City of New Castle. She is trying to develop key accounts programs where she and Mr. Blomquist talk to the commercial park owners and customers and try to help them resolve any electric issues. The customer's

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main concern is keeping costs down. Secretary Patone indicated if the parks use less electric then they can potentially expand and grow and put money back into the business. She is concerned that not participating in the program will make us less marketable than other municipalities that are participating.

She advised that residential customers can also benefit and the CSR's will be well versed on how they can help residential customers. Secretary Patone will continue to work with our three commercial parks, interacting with the landlords and what they are doing for their tenants. Vacant buildings results in lost revenue. She is in favor of the AMP program, but wants to make sure the money raised in the City stays here. They (AMP) have indicated they will achieve the projected targets or give us a refund.

Secretary Patone said that Amazon is very interested in green technology, especially solar. Amazon has moved one of its facilities to their Middletown location, which had nothing to do with the electric rate. She and Scott Lynch (DEMEC) have been discussing ideas and incentives to present to Amazon for their remaining building to keep them in New Castle.

Secretary Patone summarized the proposal to reduce electric rates. The reduction range is 2%-3% depending on classification. Notices will be sent out in the utility billing taking effect on 4/1/2017. Customers will see a negative number on their bill reflecting the rate reduction.

OLD BUSINESS

Green Energy Funds – The solar project is finished. Green Energy Funds paid for the project. The solar project benefits the whole community. We bought less power from DEMEC and kept electric rates lower by producing our own power. Secretary Patone requested a portal that the Electric Supervisor would use to monitor production. If something trips off he would be notified of the trip. The cost to set up the portal is \$1,500 plus an ongoing cellular cost (\$10-\$50) to maintain the signal. Green Energy Funds can be used to pay for the portal and monthly maintenance fee.

**A motion was made to spend \$1,500 of Green Energy Funds to set up a portal and authorize the monthly maintenance fee to maintain the signal. Motion was seconded and unanimously approved.**

**A motion was made and seconded to go into executive session at 5:37 p.m.**

Regular session was reconvened at 5:49 p.m.

Next Meeting

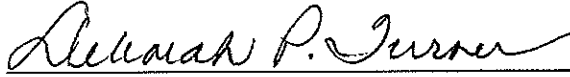
Commissioners set the next monthly Board meeting to be 3/23/17, 4 p.m., at the office of the Commission, 216 Chestnut Street, New Castle, Delaware.



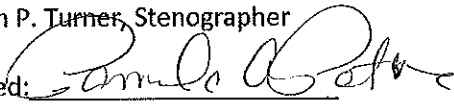
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ADJOURNMENT

A motion was made and seconded to adjourn the meeting. The motion received unanimous approval.  
The meeting adjourned at 5:51 p.m.



Deborah P. Turner, Stenographer

Approved: 

(Minutes transcribed from recording.)