

MINUTES OF THE MEETING OF THE
CITY OF SEAFORD ELECTRIC COMMITTEE

3:30 p.m.

February 2, 2017

MEMBERS PRESENT: Dan Henderson-Vice Mayor and Chair, Dolores Slatcher-City Manager, Charles Anderson-Assistant City Manager, Rick Garner-Electrical Engineer, Bill Bennett-Superintendent of Electric, June Merritt-Director of Finance & HR, Public Representative-Sharon Drugash and David Downes-Downes Associates Inc.

Vice-Mayor Dan Henderson called the meeting to order at 3:30 p.m.

Mr. Scott Lynch, DEMEC presented information on an Energy Efficiency program offered by AMP (American Municipal Power) on behalf of DEMEC. Over the past two years the DEMEC staff has been rapidly trying to bring an energy efficiency program to its members. October 2016 the DEMEC board asked for a recommendation and November 2016 a recommendation was made. December 2016 the recommendation was presented to the local regulatory bodies for additional discussion. We will go over the recommendation with assistance from AMP. They are partners in this effort, they listen to their members like DEMEC. Their members wanted an efficiency program, so they helped build it. DEMEC's evaluation of the program is that it is one of the best in the country and is why we bring the recommendation before you.

Mr. Randy Corbin, AMP stated the program began offering services to members in 2011. We have two 3-year contracts, just finished our second and have hit about 150% of our aggregate targets with both contracts, and maintained participant's individual performance guarantees. The program offered is similar to what has been done in the past and hinges on financial incentives, provision of technical services, key account management, community engagement, marketing and promotions and customer service. An independent contractor, Efficiency Smart will annually verify actual customer savings. Mr. Dave Crawley, Efficiency Smart representative was in attendance.

The project presented today is called our Basic Performance comprehensive program that covers all major rate classes, designed at a savings rate of 2.5% annually and costs \$0.90 per MWh of wholesale load. For a project, annual cost of approximately \$105,000; over 10,000 lifetime MWh savings, benefit cost ratio 2-1, and a levelized cost of about \$30 per MWh. A cost far less than power supply costs in today's market. Discussion followed.

Mrs. Sharon Drugash made a motion to move forward with the proposed Energy Efficiency program offered by AMP to DEMEC members for recommendation to Mayor & Council at the next meeting on 02/14/17. A second to the motion was made by Superintendent of Electric Mr. Bill Bennett. All present were unanimously in favor.

Mr. George Bjelovuk, AMP presented the final pricing information for the AMI (Automated Meter Information) system for electric and water meters on conference call. Mr. Jared Price, AMP, Mr. Lou Vitola, DEMEC and Jeannie Gardner, AMP were in attendance on the call.

Mr. George Bjelovuk began the presentation reviewing drivers for joining AMI, AMP history, governance, Advisory Committee and common hurdles municipalities face. AMP's board selected Silver Spring Networks and ElectSolve Technology Solutions and Service as the Vendor/Partners for the program and

executed contracts with these vendors on June 3, 2016. AMP AMI Program overview and costs were shared along with configuration and specifications.

The cost summary is as follows:

Initial Services (equipment, tools, installation, meters, deployment, training and optional items):
\$1,100,183.27

IT infrastructure improvements:
\$93,795.00

Commercial and industrial water meter costs to be determined. Additional cost items that are discovered during the project, such as upgrades for deteriorated customer services, meter seals and ring replacements, local printing costs and RF holdback.

Ongoing AMI Services – Annual Fees:
\$56,456.50

An annual increase of 3% should be forecasted of Ongoing Services.

Discussion followed, deferring the recommendation of the AMP AMI resolution and contract to Mayor & Council until the committee and staff have time for review. City Manager Slatcher informed everyone that Mr. Toby French will be joining the Electric Committee next month as a new member. An inquiry will be made to determine if a customer can opt out of smart metering.

Mr. David Downes presented the rate maintenance information. The first item is to look at the PCAC, November and December 2016 actual data was needed to update the information. Update #1 - The out of period adjustment has increased from 1.9% to 2.2% impact on our customers. Update #2 - If we correct the 2015 DEMEC rate to be blocked the increase to customers would be 2.6%. Update #3 – Including the abnormal line loss in January 2015 and December 2016 customer impact would be 2.8% increase.

Vice-Mayor Dan Henderson made a motion to recommend to report to Mayor & Council Update #1 - PCAC rate of (-\$0.00257), a customer impact of 2.2%. This is actual data and the previous impact to customers of 1.9% was estimated. Then take a look at the impact of sun-setting the \$178,137 later in the year, keeping with the intent of the Council. A second to the motion was made by Mrs. Sharon Drugash with everyone in favor.

Mr. David Downes stated since we do have a rate reduction to pass on to our customers, we have a small increase since there is a reduction in the PCAC credit, we are looking at taking very small forward steps. The residential rate options were presented. Options #1 increases the customer charge and first 45 kWh block rate and decreases the over 750 kWh block rate. Options #2 and #3 increase the customer charge and decreases the over 750 kWh block rate. Options #4 - #6 leaves the customer charge as is, increases the first 45 kWh block rate and decreases the over 750 kWh block rate. The idea is to collect our fixed costs from customers that have very low or zero consumption. Graphs and customers effected were provided to show rate maintenance impacts for each option and discussed.

Mr. David Downes recommended Option #2 if we are in favor to increase the customer charge or Option #6 or enhancement of Option #6 if concern increasing the customer charge by increasing the first energy block. Vice-Mayor Dan Henderson stated we need to be in cost recovery and remain on track and increase our customer charge due to the fact we may be experiencing reduced consumption.

Mrs. Sharon Drugash made a motion to recommend to Mayor & Council for approval the adoption of the method in Option #2 as presented. Electrical Engineer Mr. Rick Garner made a second with all in favor.

City Manager Dolores Slatcher left the meeting at 5:00 pm.

Mr. David Downes presented the commercial non-demand rate class summaries advising the options were the same method as the residential options. Mr. Downes recommended Option # 3, an increase in the customer charge and a reduction in the over 750 kWh block rate. Downes Associates, Inc. will update the numbers using the PCAC rate effective February 2017.

Mrs. Sharon Drugash made a motion to recommend to Mayor & Council to proceed with Option #3 for the commercial non-demand rate class. A second to the motion was made by Superintendent Mr. Bill Bennett and all were in favor.

Other rate maintenance items the Committee warrants necessary was deferred.

Superintendent Mr. Bill Bennett gave the final update on the solar project. He advised the project is 99.9% complete. The kiosks are in operation at City Hall in the lobby, the Utility Building and in the SCADA Room. A slide presentation displayed the real-time information available. For example, generation – daily, monthly, yearly and lifetime, device status, inverter graph, weather station, tracks SREC's, etc. GHATS training is scheduled for reporting monthly information to PJM. Trenches will need to be filled in the spring and a little more SCADA work done for the project to be complete. A link through the City's website is forthcoming for public access.

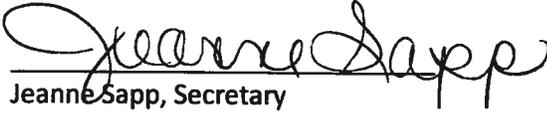
Mrs. Sharon Drugash left the meeting at 5:35 pm.

Assistant City Manager Charles Anderson gave an update on the demolition of the building at 60 N Pine Street -formerly Cummings. We met with the demolition contractor and the sub-contractor has started removing asbestos and should be finished in approximately 10 days. Demolition is scheduled for 02/20/17 to take the building down for completion at the end of March.

Assistant City Manager Charles Anderson confirmed that City Manager Dolores Slatcher will send the Pine Street Substation and distribution work resolutions by email to the Committee members for a quick review with comments to present to Mayor & Council for execution on 02/14/17.

Superintendent Bill Bennett gave an update on Circuit 330. The breaker is in place and the control wiring is complete. Sub-station maintenance for Ross Station will be scheduled and the new breaker will be tested. The primary wires have not been pulled due to the retention pond changes and poles not set due to weather. Mearfield is currently 2 phase power and will not be connected until 3 phase power. Once the switch cabinet is in, areas of Mears Campus can be activated. Overhead line will be run from Mearfield to Bridgeville Highway to Melanie's Ridge instead of underground line to save costs. Then Halpern, Nemours, Trinity Logistics and Wash & Vac will be connected.

There being no further business or discussion; the meeting adjourned at 5:43 p.m.


Jeanne Sapp, Secretary