

**PUBLIC HEARING
PINE STREET ELECTRIC SUBSTATION EXPANSION PROJECT**

July 14, 2016

7:00 PM

Mayor David Genshaw called the meeting to order with the following present: Councilwoman Grace S. Peterson, Councilwoman Leanne Phillips-Lowe, Councilman William Mulvaney and Councilman Dan Henderson. City Manager Dolores Slatcher, David Downes from Downes and Associates, Inc., Tim Shaver from Downes and Associates, Inc., George Owens from Downes and Associates, Inc., were also present. A list of public attendees is attached.

Mayor Genshaw turned the meeting over to Downes and Associates, Inc., representative, George Owens, P.E. to present preliminary design information.

Mr. Owens began by introducing himself, Tim Shaver, and Dave Downes, all representatives of Downes and Associates. He then continued by explaining the purpose of this meeting is to give information to Mayor and Council and the public on the reliability of the City's current load delivery system and offer alternatives. Through a power point presentation, Mr. Owens discussed age, location and current issues with the City's current 3 substations. The major concern considering the age of the substations is should one go out of service could the other two maintain Seaford's current load for an undetermined length of time.

His proposal is to reinforce tie lines in case Central substation is lost. The Preliminary design project would be to design and replace Pine Street Substation and Central Substation. This would be designed to sit next to the current Pine Street Substation. The new substation work would be the equivalent of building two new substations at one location. The new Pine Street Substation would have a new building and control system that meets current industry standards. Also with this project, the City has requested permission from Delmarva Power to install a Secondary Tie in the Ross Substation location. Currently the City only has one point of delivery with the supplier. If this point of delivery is lost, there is no power to the City of Seaford. A Secondary Tie would allow Seaford to continue to receive power should the Primary need to be taken out of service. The project schedule is projected to take 24 months once the decision is made to move forward with the project and funding is attained.

He discussed preliminary costs and recommended a \$9,000,000 preliminary project budget. The budget includes a 25% Preliminary Phase Contingency, because some items can take up to a year for delivery and suppliers of those items will not project product prices that far out. As things progress we will be able to get a more accurate figure. (Preliminary Project Budget Summary attached).

Patrick McCullar, CEO & President of Delaware Municipal Electric Cooperation came forward to discuss financing options for the proposed Substation Expansion Project. Mr. McCullar began with a brief description and history of DEMEC and Public Power. He then offered three financing options and the pro's and con's. The three options are:

- General Obligations Bond

- USDA Loan Program
- DEMEC on Behalf of Financing

Mr. McCullar's recommendation is to use DEMEC financing because it will not have to go to referendum, it will not affect the City's Debt ceiling, and there are not the same requirements as there is with other government loans such as use of prevailing wage rates, buy American, and bidding requirements. Also, if the project starts to move along more quickly than anticipated, DEMEC has a 10 million dollar line of credit it can pull from.

Dave Downes, representative of Downes and Associates, came forward to discuss repayment options for the debt service incurred for this project. The two options given were based on a bond principal of \$9,750,000. The 9,750,000 is a combination of the recommended \$9,000,000 Preliminary Budget, \$650,000 DSR, and \$100,000 Issue Costs. The first option would be a 20 year term contract with 2.74% interest rate. This option based on 3.2% of total revenue would increase an average residential customer's electric bill \$4.28 per month or a \$0.00429/kWh rate increase, without the current rate block in place. Or maintaining the current rate block in place the increase for an average residential customer's electric bill \$3.78 per month. The second option is a 30 year term contract with a 3.35% interest rate. This option based on 2.3% total revenue would increase an average residential customer's electric bill \$3.06 per month or with a \$0.00306/kWh rate increase without the current rate block in place. Or maintaining the current rate block in place would increase an average residential customer's electric bill \$2.70 per month.

This concluded the presentations for the evening. Mayor Genshaw solicited questions. Dan Cannon, who did not sign the Sign In Sheet, came forward and asked several questions, that were answered in whole by George Owens.

With no further questions, Mayor Genshaw dismissed the meeting.



Dolores J. Slatcher, City Manager

/k/a