

MINUTES OF THE MEETING OF THE
CITY OF SEAFORD ELECTRIC COMMITTEE

2:30 p.m.

March 12th, 2020

MEMBERS PRESENT: Charles Anderson-City Manager, Bill Bennett-Director of Electric, June Merritt-Director of Finance & HR, Customer Service Coordinator, Jeanne Sapp, Dave Downes of Smart Utility Management, LLC., Alexander "Lex" Greer of George, Miles & Buhr (GMB), Sharon Drugash and Scott Pickinpaugh, Public Representatives. Also Present, Chris Simms of Smart Utility Management, LLC.

Sharon Drugash called the meeting to order at 2:30 p.m. and welcomed the guests in attendance.

New Business

City Manager, Charles Anderson, called Chris Simms of Smart Utility Management, LLC (SUM) forward to present New Business Item #1: PCAC relevelization, impacts and recommendations, DPL/DEC Rate Comparisons and FY21 budget information.

Mr. Simms began by explaining that the power supply costs are continuing to decrease and that there may be a unique opportunity to increase revenues for the city in order to cover increased costs for the Electric Department. With the reduction in power supply costs, there would be an approximately \$88,000.00 per year increase in additional Gross Operating Margin (GOM), with no rate change to the customer. Mr. Simms noted that 2011 was the last time there was an increase to operating margins, specifically to cover operating costs. He added that compared to 2011 the operating cost have increased by almost \$350,000.00, and there may be an opportunity to recoup those costs with organic growth in revenue from an increased customer base. Increases in residential customers have contributed to almost \$124,000.00 since the last increase in 2011. Overall, there has been an increase in Operating Expenses less Operating Margin Growth of \$222,337.00 between 2011 and 2020; resulting in a lower amount of transfer to the General Fund for City operations.

City Manager Anderson asked if that increase was likely due to a natural increase in expenses for the Electric Department. Mr. Simms concurred, and noted that the largest increase was in Other Supplies and Expenses which is something that will just naturally increase over time.

Electric Committee Member Virginia "Gigi" Hastings joined the meeting at 2:41 p.m.

Mr. Simms went on to explain the change in the DEMEC wholesale rate and noted that it has decreased from \$0.06942 in 2019 to \$0.06879 per kilowatt hour in 2020; a reduction of almost \$756,300.00 in energy costs. This would create a change in the PCAC or an increased credit on resident's utility bills. Mr. Simms solicited any questions from the Committee. City Manager Anderson verified that this option would just leave the PCAC as is, and then the City would collect the wholesale rate reduction from the gross operating budget; Mr. Simms confirmed.

Mr. Simms went on to explain the findings of the Residential Rate Comparison with Delmarva Power & Light (DPL). He explained that the average kilowatt consumption for residential customers is around 900 per month, and based on that DPL is only around 3% lower than the City of Seaford. In addition, in some cases it is actually more cost effective to have Seaford Electric for high usage customers. When looking at the comparison for Seaford Electric and Delaware electric Co-op (DEC), Mr. Simms noted that this is

the first time in roughly fifteen years that DEC has changed its PCA. This rate changed from .016 to .024 or a \$8.00 per 1,000 KWH increase. This closes the gap in cost and brings DEC 9% lower than Seaford Electric as opposed to 16% lower before the rate change. City Manager Anderson asked when that rate increase took effect, Mr. Simms explained that that change took place June 1st of 2019. City Manager Anderson asked if the data shown has all been predicated based on current rates; Mr. Simms confirmed.

Mr. Simms continued onto the budget highlights and noted that the Total Operating Revenue for 2021 should be \$13,560,088.00 with a total supply expense of \$7,958,670.00, bringing the Total Forecasted Gross Operating Margin for FYE 2021 to \$5,601,418.00. Of that total \$127,521 would be refunded to the customer for the PCAC and \$655,070.00 earmarked for Capital Improvement Bond Debt Services. This brings the Adjusted Forecasted Budgeted Operating Margin for FYE 2021 to \$5,073,869.00.

City Manager Anderson solicited any questions from the Committee Members; there were none. City Manager Anderson then reiterated the two possible choices for the purposes of budgeting and relevelization of the PCAC. The first option is to pass along the Wholesale Rate Reduction to the customers and change the PCAC to a larger credit. The other option is to leave the current rates static, make no changes to the PCAC and increase the Gross Operating Margin by approximately \$88,222.00.

Mrs. Drugash verified that last year the Committee opted to return the wholesale rate reductions back to the customers; City Manager Anderson confirmed. He noted that the City has not made any adjustments in the rates since 2011; however, costs for general expenses have increased. He added that in the past 10 years organic growth through new utility services has only yielded around \$124,000.00 in change within the Gross Operating Margin. This is largely due to the shuttering of some large businesses like Allen Harim. At this time the largest source of growth is with new residential services.

Director of Electric, Bill Bennett, added that another reason for slower growth is the increase in customers looking to switch to solar power.

Mr. Dave Downes added that the opportunity for growth within the City is unbounded considering the new developments and possible projects in the future.

City Manager Anderson noted that DEMEC does forecast that the rates will stay at a flat cost with a slight increase at the tail end of the forecast period. Mr. Simms added that DEMEC does tend to be very conservative with their forecasts and with the current pressures in the market its looks as though prices should continue to soften.

City Manager Anderson explained that since the Governors Memo for a rate reduction that was executed in 2010, the City has dropped its rates around 11% and that rate drop has been passed along to the customers.

Mrs. Drugash solicited any additional questions; there were none. She then called for a motion. Mr. Downes then made a motion to recommend to Council to keep the rates exactly as they currently are and the PCA not be reduced; Mr. Pickinpaugh seconded the motion, so passed with all voting in favor.

Mr. Simms continued the discussion and explained that since the choice is to not adjust the PCA at this time, it is still important to ensure the City is collecting those fixed costs from the customer and that those charges are at appropriate levels. He recommended that the City consider additional rate maintenance this year, similar to the changes made in the previous year with an increased customer

charge. This would bring Seaford in line with the Customer Charges in other municipalities; ideally this would mean bringing the customer charge in line with the minimum bill we currently have, which is set at \$15.00.

City Manager Anderson asked if Mr. Simms would recommend making that change now or in a future period. Mr. Simms suggested that it could be done in a future period. He also noted that likely increases in the minimum billing wouldn't affect customers who continuously occupy their homes and instead would be directed more towards low usage accounts like landlords with short on/off billing, seasonal homes and those using solar power.

City Manager Anderson noted that the City has also been in discussion with the hospital in regards to a possible upgrade to their electric system. This new system would allow them to use 85% less electricity. As this is the largest consumer of electric, the City will need to find ways to recoup those funds. Director of Electric, Bill Bennett, added that the cost to the City wouldn't decrease in this case either; we will still need to continue to keep the same infrastructure and load capacity available, in the event the hospital system fails.

Committee Member H. William Mulvaney joined the meeting at 3:07 p.m.

Mr. Simms concluded that there did not need to be any immediate change to the customer charges but that he would work to have some possible options together in the coming months.

City Manager Anderson called Director of Electric, Bill Bennett, forward to present New Business Item # 2: 3-year CIP for the Electric Department to be used in the FY21 Budget.

Mr. Bennett came forward and reviewed his requests for the electric Department for the FY21 budget.

The following requested items were presented:

- Replacement of the Construction Coordinators vehicle, a 2011 with 64,728 miles.

The estimated cost to replaces this vehicle would be approximately \$35,000.00.

- Expansion of the Utility Building for additional equipment storage, wire security, and two additional bays.

The expansion would include; replace weather stripping and bad panels in existing doors, repave behind the fence and LED High bay lights. Estimated cost for this project is approximately \$600,000.00.

Mr. Bennett explained that the financing assumption would include a loan with a 3% interest rate for 10 years with an annual payment of \$71,642.00. City Manager Anderson added that this is a budget priority for this coming year since it was presented for last year's budget and had to be pushed back to allow for a remodeling project at the Police Department.

- Renew electric infrastructure in Martin Farms

The existing overhead poles and wires are susceptible to outages from area trees and access to the existing O/H facilities is difficult and time consuming. In addition, vegetation maintenance can cost

upwards of \$7,500-\$10,000 every three years. This area is one of the highest outage areas in the City.

Mr. Bennett's explained Proposal is to set pad mount transformers at the Locust Street and Farm Street ends with underground secondary services that run to individual properties. The estimated project cost is \$250,000 with engineering estimated costs at \$21,000 (to be done with Cypress & Hurley Park Dr. project) The recommend budgeting would be \$50,000 per year for the project. The hope would be to complete engineering for the project by 2022 and start work in 2023.

City Manager Anderson confirmed with Mr. Bennett that there would need to be changes to the service connection at each individual home once it's moved underground. Mr. Bennett explained that with this project the service would be switched to a 200-amp underground service, and the maintenance responsibility would be returned to the property owner. City Manager Anderson suggested a meeting, during the beginning stages of engineering, with the property owners to answer any questions they may have.

- Purchase a Chipper- cost estimate \$39,000.00

The suggested trimmer is a Vermeer BC 1000 XL, 74HP Diesel Motor with a 12" limb capacity. The chipper will reduce number of trips to the dump and the number of piles in the dump that have to be pushed back.

- Purchase a F450 Dump Truck – Cost estimate \$63,000.00

Requested is a F450, Reg Cab, 4x4, dump truck; used to haul the chipper or pad mount transformers.

- 2 Automatic capacitor banks - \$22,000
- Die-Less Crimp Gun for #4 – 750 MCM wire - \$8,000.
- New Christmas decorations - \$6,000.
- Boring for underground primary replacement - \$10,000
- Industrial Park tree buffer project- 3 years at \$28,000.00 per year.

Currently there are 3,000 feet of electric power lines with trees planted under them as a buffer. The Electric Department has to trim these trees about every 3-5 years at a cost of about \$10,000 per year. As Governor's Grant has developed, residents have trimmed the trees to their property line and then you can see through to the industrial park. The recommendation is to replace the entire span of trees over 3 years at a cost of about \$28,000 each year.

City Manager Anderson asked if the Electric Department would be responsible for trimming the trees or an outside contractor. Mr. Bennett stated that process would be done in house. Director of Finance, June Merritt, asked if since the materials will be installed overtime if the materials being used would be readily available to order each time. Mr. Bennett stated yes and explained it would simply be 8-foot, chain link fence with slats.

- Renew electric infrastructure Cypress/Hurley Park Dr-cost estimate-\$50,000.00.

The proposal is to set pad mount transformers at the Arbutus Avenue and Lilac Lane ends with underground secondary services running to individual properties. Engineering estimate is around \$14,000.00 and the hope is to complete it during the same time as the Martin Farms project.

- Replacement of poles in Woodside Manor – Cost estimate \$50,000.00.

This will be a two-year project – FY22 & FY23 - \$100,000 Total

- FY23 budget- Replace Truck #3- Estimated cost-\$275,000

The current truck has 3,455 Engine Hours at 50mph or 172,750 miles.
Current driving mileage shown is 46,470.

Councilman Mulvaney asked if the truck was diesel or gasoline; Mr. Bennett stated it was diesel.

- FY24 Budget- Replace Ross Substation Transformer- Estimated cost- \$1,000,000.00

This transformer was manufactured in December of 1988, and installed in 1989; making it 40 years old, and at the end of its life.

Transformer was manufactured in December of 1988 and installed in 1989

- FY 24- Replace 2012 Escape- Estimated cost

The vehicle has 53,000 Miles as of 2/4/2020. This vehicle is used by the Technical Coordinator and for training.

Mr. Bennett solicited any questions from the Committee. Mr. Downes ask if the City has looked into replacing the Construction Coordinator and Training vehicles with electric models. Mr. Bennett explained that the department does not currently have any electric vehicles but it could be something to look into in the future.

City Manager Anderson explained that he would like to start giving DEMEC updates to the Electric Committee Meeting. He noted that Mrs. Merritt attended the last meeting and there was discussion in regards to succession as Patrick McCullar, the CEO of the company is approaching retirement. In addition, there was discussion about services DEMEC offers, and with the cessation of operations of Downes & Associates, if it might be necessary to have a circuit rider” type engineering service to assist smaller municipalities. They are also looking at a possible increase in RPS (Renewable Portfolio Standard). Senator McDowell currently has legislation coming up the pipeline that could be harmful to rate payers in all of Delaware; DEMEC has been working to take a stance against this legislation.

City Manager Anderson solicited any other questions or comments from the Committee; Mr. Bennett noted that Greg Brook and Nick Smart from the Electric Department would be traveling to the Navajo Nation, starting May 2nd, to help install electric services on the reservation.

City Manager Anderson also noted that at the most recent Council Meeting, the Council approved the Help Initiative of Delaware coming back into Seaford for a Home Energy Audit Checkup. They will set up in the lobby of City Hall and counsel customers who are having difficulty paying their utility bills. In

addition, they would go back to the homes on the east side of town that were visited during the Lights on Seaford Strong Program and make sure these homes have smoke detectors, do an in-home energy audit, give residents an intelligent power strip and giving out information of weatherization, energy efficiency options, and available grant opportunities. All of this is at no cost to the tax or utility rate payers.

There being no further business or discussion; City Manager Anderson made a motion to adjourn; Mrs. Drugash seconded the motion; with all present voting in favor the meeting adjourned at 3:50 p.m.

Ashley Heinicke