

MINUTES OF THE MEETING OF THE
CITY OF SEAFORD ELECTRIC COMMITTEE

4:00 p.m.

October 17, 2016

MEMBERS PRESENT: Dolores Slatcher-City Manager, Charles Anderson-Assistant City Manager, Rick Garner-Electrical Engineer, Bill Bennett-Superintendent of Electric, Public Representatives- Sharon Drugash, George Logan, David Downes-Downes Associates Inc. and Vice-Mayor Dan Henderson.

Vice-Mayor Dan Henderson opened the afternoon session at 4:04 p.m. He promptly requested David Downes, Downes Associates Inc., to present information for discussion of the customer service charge.

Mr. Downes took the podium and stated, over the last several years, the City of Seaford has been attempting to modernize the electric rates due to new technologies and changing electrical usage patterns. Careful consideration is being given to these changes, so that any change is both fair and equitable to the City and residents.

One such change being considered is to increase the Customer Charge. This would involve shifting a portion of the collection of revenue from the per kWh to the fixed Customer Charge. This change is to ensure low usage customers are paying their fair share of fixed costs. The concern with making this change is that it would affect our low income customers/low usage Customers more than our other customers. Mr. Downes stated he investigated customers who consumed 150 kWh per month or less and determined these were not low income properties; however, if they were, an average consumption of 100 kWh would result in a billing around \$25. Mr. Downes did not feel this would be a significant impact to low socio-economic customers. Hopefully, the City will be able to use a retail rate reduction to offset any rate increase to remain revenue neutral.

Councilman Henderson asked if he was recommending offsetting the customer charge in the rates with the wholesale reduction. Mr. Downes stated that would be a decision this committee would have to make but he would be putting together a list of possibilities as well as outcomes to those possibilities.

Mr. Downes handed out a list of Delaware Customer Charges and Retail Rates and stated this was information for the group to review during the next several months. These are the minimal bills used by Electric Companies in Delaware. He directed the group to keep in mind Delmarva Power is proposing to increase their Customer Charge from \$11.84 to \$17.47 this would almost double the City's current customer Charge. These are things to keep in mind when staying competitive.

Mr. Downes then passed out Retail Rate Comparisons with Delmarva Power Delaware. He demonstrated that with Delmarva Power's proposed rate increase the City of Seaford's rates are very competitive, ranging \$2.08-\$0.83 over DPL in the 800 to 1000kwh retail sales. He discussed Demand Charges and how DPL is proposing to increase their Demand Charge even though they are no longer in the generation business. He stated this is completely strategic. He stated the City looked at this a couple of years ago and decided they were not at this point yet, however he wanted to keep the Committee Members aware. He reviewed all the proposed DPL rate changes in the different rate classes and how they compared with Seaford's rates and stated we are very competitive.

Using all this information, Mr. Downes stated he wanted to look at what could possibly happen if we received \$1. MWh Wholesale Cost Reduction and what would that mean to the City. To start with it would result in an \$119,035 benefit to the City. However, based on actual year to date numbers, the City has under collected \$146,932 and if the rest of the year goes as projected in December that number will be \$149,432. This will result in the Customers starting 2017 in a deficit and the PCA would need to be raised possibly to .00408, reducing the consumer's credit. This would cause the average bill across all billing categories to increase about 1%. A very small impact. Hopefully, we receive news back from DEMEC that allows us to offset any increases with the wholesale rate reduction, but right now it does not look that way. He expects that to mean smaller changes would be made to the rates.

Mr. Henderson solicited questions. With none, he asked if Mr. Downes was recommending to continue with the last blocked rate reduction based on the lower wholesale cost from DEMEC. Mr. Downes stated he was. He stated it seems to have strategic merit for the City. The intent is to release it at some point but the City has to decide when that is.

Mr. Henderson presented information from a presentation by Dawn Lund, Vice President of Utility Financial Solutions at the September 21, 2016 DEMEC Meeting entitled: Customer Charge and Rate Design. He stated what she presented is similar to what the City has been doing over the last several years. Her main point was to increase the customer charge to stabilize revenues throughout the year. She stressed that any Customer Charge under \$10.00 should be corrected. She also stated small yearly rate increases to keep up with inflation is more desirable than going several years without a rate increase and then having to do a larger increase at one time.

Because the meeting was running longer than scheduled, City Manager Slatcher and Assistant City Manager Anderson had to excuse themselves to attend another meeting. Mr. Henderson suggested ending the meeting after Mr. Bennett presented an update on the solar project and to continue with the next item on the agenda at the next meeting once scheduled.

Mr. Bennett took the podium and reported the Solar Project is 60% complete. ½ of the solar panels are installed and the inverters are in storage. He expects completion by the end of November or the first of December. The System will be energized and tested prior to being turned over to the City. Mr. Bennett requested questions and there were none.

Mr. Henderson suggested the next meeting to be held on November 14th at 4:00 p.m. No one present had a conflict.

With no further business or discussion; Vice-Mayor Henderson solicited a motion to adjourn.

Sharon Drugash made a motion to adjourn the meeting, George Logan seconded the motion and it so carried with all present voting in favor. Vice Mayor Henderson adjourned the meeting at 5:19 p.m.

Kathy Anger, Secretary