

MINUTES OF THE MEETING OF THE
CITY OF SEAFORD ELECTRIC COMMITTEE

3:30 p.m.

January 12, 2017

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, Veronica Hall, David Downes-Downes Associates Inc and Vice-Mayor Dan Henderson.

Vice-Mayor Dan Henderson called the meeting to order at 3:32 p.m.

City Manager Dolores Slatcher stated the first order of business was to discuss the new wholesale power cost that DEMEC will be billing with the January consumption billed in February. Presently we are paying \$80.84 per megawatt hour, the new rate is \$76.63 per megawatt hour, \$4.21 lower per megawatt hour for a one year contract.

Mr. David Downes discussed blocking the additional rate reduction temporarily due to an under collection of funds in 2016. We do not have the actual bond amount or interest rate, so the highest numbers DEMEC used in their previous presentation were utilized to show financing impacts for 20 year and 30 year terms, with the 20 year being more favorable. A range of \$530,000 to \$700,000 was used to prepare for blocking the 2017 reduction. We have already blocked the rate reduction for 2015-2016. Due to the timing issue the current PCAC rate reduction cannot be blocked without consequences to our customers, since we cannot get 100% right now. However, there are a couple of options available to us.

Option 1 - block as much wholesale cost reduction without changing the PCAC. The annual PCAC revenue in the amount of \$9,171,577 for 2017 is collected in our rates. We have a component that collects for power supply costs and would currently collect \$10,349,722. A perfect PCAC would be a larger credit to our customers. An out of period adjustment in the amount of \$178,137 must be collected by the City in 2017 for the under collection of power supply costs during 2016. If the City were to pass through the full wholesale cost reduction, there would be a credit of (\$0.00912) per kwh. Our current PCAC is a credit of (\$0.00560) per kilowatt hour. To block what we can without raising the PCAC would be \$385,000 blocked towards bonds issued in 2017. At the end of 12 months, the out of period adjustment would be collected and would not need to collect for 2018 for an amount of \$564,042 blocked for 2018.

Option 2 -block the full wholesale cost reductions from 2016 and 2017. The perfect PCAC is calculated the same as in option 1 and the out of period adjustment is also the same as option 1. The current retail rates would need to increase by \$289,127 or 1.9% on average. The committee discussed the options as presented.

Mr. David Downes discussed further needs in the electric rates and potential changes. The critical pieces of our rate maintenance revolve around the collection of our fixed costs and who pays for them. It was found the customers most effected when collecting fixed costs were those who used the least amount of electricity such as vacant/renovated rentals, new home construction, garages with separate meters, pools and tennis courts. Customers in subsidized housing was a concern, but not one customer effected was identified as low income. As solar becomes more prevalent, those homes could use less

electricity, therefore collecting fixed costs through the kilowatt hour charge will not be sufficient. The battle is all over the country to address and resolve these consequences. Until a re-balancing of net metering occurs, we must consider how we collect our fixed costs. The implementation of the customer charge, minimum bill and increased rate for the first energy block of kilowatt hours is powerful and important. If we do not have a rate reduction in 2017 (Option #1) or if we have a small increase in 2017 (Option #2), the amount of rate maintenance for 2017 has to be a smaller step than we have done in the past. A fixed charge is revenue neutral to the City and a decrease in the kilowatt hour charge. Discussion followed.

Motion was made by Mr. George Logan to recommend to Mayor & Council at the next scheduled council meeting for approval Option #2, for 2017 with a PCAC rate credit of (\$0.00296) with blocking to go towards debt service subject to update. Mrs. Veronica Hall seconded the motion with all in attendance in favor.

City Manager Dolores Slatcher and the committee gave direction for Mr. David Downes to go forward with looking at the City's customer charge and bring back Downes Associates recommendations at the next electric committee meeting.

Mr. Bill Bennett gave an update on the solar project advising it was 99% complete. The panels have been generating electricity for a few weeks. The forms for Sustainable Renewable Energy Credits will be filed and the as built drawings turned over upon completion of the project. The security cameras are installed and operating. Kiosks have been installed at the City Office and the Utility Building and will soon be in operation. Training is scheduled for the departments involved regarding maintenance and repairs. Assistant City Manager Charles Anderson commended the IT Department for adding a public information component to the kiosk scrolling meetings, elections, etc.

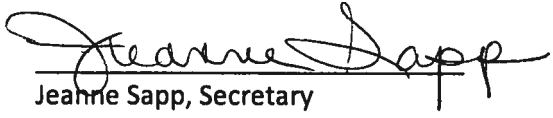
City Manager Dolores Slatcher gave an update on the demolition of the building at 60 N Pine Street - formerly Cummings. The demolition was awarded to John Macklin & Son for the demolition in the amount of \$108,000. The tenant has not vacated the premises yet, but is working on it. The price increase is due to asbestos in the roof and flooring in the building and in addition 2 oil tanks of unknown size have to be removed. Work should begin sometime in February.

The Pine Street Substation and distribution work update was also shared by City Manager Dolores Slatcher. The transformers and structures for the site have been bid. The bids received are substantially lower than the engineering estimate for the project, but the storm water problem will increase the cost and we don't know what that increase will be. We had to put in a third pond instead of just having two. The Soil Conservation District is involved and we must hold on site the 100-year storm and they are not seeing the stone base under the substation as being impervious, but pervious, which makes a big difference in the calculations. We are hopeful to have an answer in the next 30-60 days.

Superintendent Bill Bennett gave an update on Circuit 330. The new breaker 330 in the sub-station will feed the new circuit. All the bus work inside the sub-station has been done, the primary wires and system neutral hooked up to the breaker, ac power to the bottom of the breaker for controlling and heat, and tomorrow the control wiring will begin. The pole line behind the Mearfield development was delayed due to the enlargement of the pond and one pole will have to be moved. Some of the work is weather dependent, but should be energized soon.

The next meeting was scheduled for Thursday, February, 2nd 2017 at 3:30 pm.

There being no further business or discussion; the meeting adjourned at 4:56 p.m.


Jeanne Sapp, Secretary