

**MINUTES OF THE MEETING OF
CITY OF SEAFORD ELECTRIC COMMITTEE & ELECTED OFFICIALS**

7:00 p.m

January 25, 2016

MEMBERS PRESENT: Dolores Slatcher-City Manager, Charles Anderson-Assistant City Manager, Rick Garner-Electrical Engineer, Bill Bennett-Superintendent of Electric, June Merritt-Director of Finance & HR, Grace Peterson-Councilwoman, Public Representatives-Tony Lowe, George Logan, Sharon Drugash, Veronica Hall, David Downes of Downes Associates Inc, Mayor David Genshaw, Councilwoman Leanne Phillips-Lowe, Councilman William Mulvaney, Councilman Dan Henderson and Councilman Orlando Holland.

Mayor Genshaw opened the meeting thanking everyone for coming out then turned the session over to Mr. Downes of Downes Associates Inc.

Mr. Downes advised there are two items on the agenda. The first item is the PCAC (Purchased Power Cost Adjustment Clause) recommended to be used for 2016. The PCAC is a mechanism the City uses to pass our wholesale power costs on to our retail customers, and is part of our tariff. The second issue is the retail rates. Over the past five years we have looked at the rates in an attempt to modernize them. We have increased the customer charge, which is an effort to pass our fixed cost on to customers, and also raising our minimum bill. We have a number of customers that are on/off readings. Every time there is an on/off reading there is a transactional cost for the City. An attempt primarily through the minimal bill and customer charge is to collect these costs.

For 2016, we have a wholesale power cost reduction in the bill the City receives from DEMEC (Delaware Municipal Electric Corporation). The anticipated benefit for the whole year of lower power supply costs is (\$227,911.00). Our current power supply cost adjustment is a credit of (\$0.00454). We are proposing to bill our customers this month for 2016 a PCAC credit of (\$0.00560) and recommend the additional rate reduction of (\$227,911.00) not be passed on to our customers beginning in January. We have a number of infrastructure issues that are being worked on in the City right now. That process will culminate with a budget to be presented in late spring or early summer with a plan. The suggestion is this amount of money to be sequestered and the City of Seaford set this money aside until decisions have been made on infrastructure improvements needed. This issue would have to come back to the Electric Committee and Mayor & Council late summer or early fall for a decision made on these funds. The proposed retail rate impacts by rate class, totals a weighted average for the City of (0.8%). The PCAC is an ordinance and to accomplish the recommended proposal would take Mayor & Council's action.

The City's current rate schedule and a current list of Delaware utilities minimal bills were provided. The customer charge listing throughout the state reflected Seaford ranking fairly low. The proposed retail rates increase the customer charge and minimum bill, eliminating summer/winter rate differential, collapsing it into one rate year round. These proposed changes are revenue neutral to the City and with the PCAC rate reduction; a lower cost overall for customers. It is proposed to increase the residential rate for the first block of 45 kWh since we just can't raise the customer charge as fast and to the level it needs to be. By charging a little more for the first block it helps with those low kWh customers in collecting that fixed cost. There will no longer be a summer/winter differential. We propose to use the winter differential only, so a customer using more kWh in the summer would get a break. The second block does go up a little and that's where most of our sales are. The commercial non-demand first block is increased and the second block decreased. Commercial demand will no longer have a summer/winter differential. Medium general service first block proposes an increase and the second block goes down. The large general primary and secondary service did not propose to make a change in the customer charge, the first block increased, the second block decreased with demand charge and demand ratchet remaining the same. PCAC proposed for all rates is (\$0.00560). All of these rates are revenue neutral within the class – no additional revenue for the City. This is a redesign to help us cover our fixed costs.

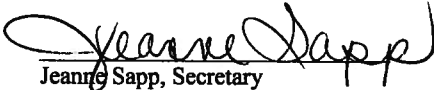
The proposed residential rate maintenance impacts for the top 10 decreasing residential customers would be a monthly reduction of (\$35.23) or (6.4%). Average customers would see a reduction or increase and the top 10 monthly increase of \$2.00 or 15.4%. This is expected raising the minimal bill \$2.00 and the customer charge by \$1.50. The impacts of rates by groupings reflects that for every increment of reduced savings or increased cost, the average kWh for that group of customers comes down. A significant increase of 15.4% is only an impact of \$2.00 per month more. In some groups the number of bills sent out, are more than the actual number of customers. This is due to many on/off readings, therefore incurring transactional costs for the City. Most of our customers who stay with the City are in the reduction percentage. Individual customer rate maintenance impacts show the top 10 users are very high with significant rate reductions. The proposed commercial non-demand rate maintenance impacts the top 10 customer decreases by (\$11.21) per month, a (2.0%) reduction. The average customers would see a slight reduction or increase and the top 10 customer increases would incur \$2.09 more monthly or 15.7%, therefore the smaller customer gets the larger increase. Our commercial demand customers largest decrease reflects (2.5%) and largest increase of 2.6%. Two of the higher increases are City accounts. The proposed medium general service rate maintenance annual impacts range from a (2.2%) decrease to a 5.5% increase. The large general primary and secondary retail rate maintenance average monthly impact are all reductions. Solar impact for our largest customers actually has a smaller percentage impact on the City's

GOM (Gross Operating Margin) because the kilowatt hours that are at margin are almost priced at cost. As technology changes we have to be careful and must have the City's costs collected in the right fashion from the right customers.

Mr. Logan made a motion to recommend to Mayor & Council at the February 9, 2016 council meeting to block the PCAC further reduction for the wholesale rate reduction. Give back to the customers the over collection that was created, in the amount of approximately \$135,000.00, which created a new PCAC credit of (\$0.00560). A second to the motion was made by Mrs. Drugash. All in attendance were in favor.

Mrs. Drugash made a motion to recommend to Mayor & Council at the February 9, 2016 council meeting the proposal by various rate classes to increase the customer charge and the minimal bill charge with the exception to large general services and remove the summer/winter differential rate in all classes. Mr. Logan seconded the motion with all in favor.

They're being no further business or discussion; the meeting adjourned at 8:10 p.m.


Jeanne Sapp, Secretary