

MINUTES OF THE MEETING OF THE
CITY OF SEAFORD ELECTRIC COMMITTEE

3:00 p.m.

February 21, 2019

MEMBERS PRESENT: William H. Mulvaney, III-Councilman and Chair, Charles Anderson-City Manager, Bill Bennett-Director of Electric, Public Representative-George Logan, Public Representative-Sharon Drugash, Chris Simms and David Downes-Smart Utility Management, LLC.

Councilman William Mulvaney called the meeting to order at 3:00 p.m. and asked Chris Simms to present New Business Item #1.

City Manager Charles Anderson stated this is the first time Mr. Chris Simms has presented to the Electric Committee. Due to the unfortunate, but somewhat expected cessation of business with Downes Associates, Inc. Mayor and Council made the decision this year to work with Mr. Chris Simms. Downes Associates, Inc. was the City's Electrical Engineer for almost fifty (50) years. Mr. Chris Simms has been an employee of Downes Associates, Inc. for twelve (12) years and has started a new firm, Smart Utility Management, LLC (SUM). Mr. David Downes has ample experience, several other clients, has done a lot of work for the City of Seaford and has agreed to help Mr. Chris Simms with his new business.

Mr. Chris Simms presented the 2019 PCAC relevelization, impacts and rate comparisons. The PCAC (Power Cost Adjustment Clause) is updated each year and part of the City's tariff. Its function is to pass along wholesale power cost changes to our electric customers. A mechanism that trues up dollar for dollar so that customers pay no more or no less than the City's power supply cost. The power supply cost for the City from DEMEC for 2019 has decreased from \$72.37/MWh to \$69.42/MWh, resulting in a PCAC credit of (\$350,000) for 2019. The PCAC also has an over collection through the DEMEC wholesale power invoice. In December 2018, DEMEC refunded the City (\$106,000) for the Energy Efficiency Program that is now being funded through DEMEC's budget. City Manager Charles Anderson added the City had discussed a one-time refund to customers, but this method was not recommended or preferred. Both factors result in a 3.3% reduction in our PCAC to our customers.

Mr. Simms proposed several options in terms of which PCAC the City would like to apply. One option would be to follow the ordinance strictly as it stands today without making adjustments over a twelve (12) month or sixteen (16) month period. A concern would be that the PCAC would have to increase 2% next year in 2020, if power supply costs do not rise. Another option with twelve (12) month or sixteen (16) month period term was offered without refunding the (\$106,000) through the PCAC. The refund could be utilized for other projects such as a Community Solar Project or LED Program to avoid a PCAC increase in 2020, however, not all customers would benefit. Extending the PCAC period to sixteen (16) months would align with the end of the fiscal year.

In 2012 the City gave the largest reduction to the Large General Service customers to satisfy the Governor's MOU in support of Delaware economic development customers, with regard to industry. Another option includes the FY19 revenue shift of \$100,000 transferred from water, sewer revenues to electric revenues to reduce residential electric base rates. This option would give an additional 2.0% PCAC reduction, for a total residential rate class PCAC reduction of 5.3%. The proposed residential rates

for Seaford and the anticipated rates for DPL (Delmarva Power & Light) would keep our rates competitive.

After much discussion, Mrs. Sharon Drugash made the motion to recommend to Mayor & Council for approval at the next council meeting the proposed PCAC rate Option #3 for 2019 at (\$0.01380) per kWh refunding the customer over a sixteen (16) month term so that all customers would benefit and feel the least amount of financial impact. A second to the motion was made by Mr. George Logan. All present were in favor.

Mr. Chris Simms reviewed Delaware utilities minimal bills and customer charges for all rate classes. In summary a moderate increase to the Customer Charge was recommended and revenue neutral shifts in the rate blocks to capture fixed costs from ultra-low usage customers. The minimal bill and customer charge do not affect customers using above 125 kWh's. The proposed rates proved the greatest decrease would affect customers with a usage of about 750 kWh's.

Mr. George Logan made a motion to recommend to Mayor & Council for approval at the next council meeting the proposed Option #1 for 2019, a moderate Customer Charge increase for each rate class and revenue neutral shifts in the rate class blocks. Mrs. Sharon Drugash seconded the motion. All present were in favor.

Director of Electric Bill Bennett took the podium to present the Electric Department five (5) year Capitol Plan as follows:

Five-year Capital Plan

FY-19

Replace truck 19 - \$250,000(possibly financed for 5 years)

Large printer – shared cost \$5,000

Ice machine - \$4,200.00

Floor coating in hallway, break rooms, kitchen and conference room - \$13,000

Martin Farms \$50,000.00 (\$250,000 estimate) put this money away for 4 years and then put Martin Farms underground

APPA e reliability tracker \$700 (3 years) - in the works

Asset management - \$16,500 – waiting on documents from them for review

Run primary from Pine St Ext to Venture Drive \$100,000 – in the works

FY-20

2 bay addition to the building, replace weather stripping and bad panels in existing doors and repave behind the fence - \$600,000

LED High bay lights - \$8,000

Martin Farms - \$50,000 in reserve

Replace 2009 Escape (2009, 73,000 miles) - \$35,000 extended cab pick up

Storage rack for wire - \$50,000

Replace underground at Roses & end stores - \$15,000

Replace the underground in Crossgate – \$24,000

Run Fiber North on Sussex Hwy –

Material - \$30,000

Labor - \$62,000

Splice - \$7,000

Total - \$ 99,000

Engineering for Martin Farms & Hurley Park Drive - \$35,000

Replace the batteries in Ross Substation - \$10,000

FY-21

Martin Farms - \$50,000 in reserve

Start Martin farms on the North End.

Replace Construction coordinator vehicle (2011, 49,000 miles) - \$35,000

Start replacing poles in Woodside Manor - \$50,000

FY-22

Martin Farms – \$50,000 in reserve

Continue replacing poles in Woodside Manor - \$50,000

Start the Hurley Park Drive project - \$50,000

FY-23

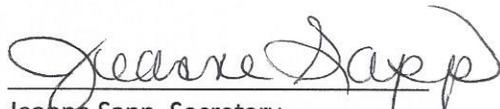
Martin Farms - \$50,000 and finish the work

Replace Truck 3 - \$275,000

FY-24

Replace the main transformer in Ross Substation - \$1,000,000

There being no further business or discussion; Mrs. Sharon Drugash made a motion the meeting be adjourned with a second to the motion made by Mr. George Logan. All present were in favor. Councilman William Mulvaney adjourned the meeting at 4:51 p.m.


Jeanne Sapp, Secretary