

**PUBLIC HEARING
PINE STREET ELECTRIC SUBSTATION EXPANSION PROJECT**

July 28, 2016

7:00 p.m.

Mayor David Genshaw called the meeting to order with the following present: Councilwoman Grace S. Peterson, Councilwoman Leanne Phillips-Lowe, Councilman William Mulvaney, Councilman Orlando Holland and Councilman Dan H Henderson. City Manager Dolores Slatcher, Assistant City Manager Charles Anderson, Director of Finance/HR June Merritt, ED/IT Manager Trisha Newcomer, Bill Bennett Electrical Superintendent and Rick Garner Electrical Engineer were all present. David Downes and George Owens were present from Downes and Associates, Inc. Patrick McCullar, Kimberly Schlichting and Max Walton were present from DEMEC. A list of public attendees is attached.

Mayor Genshaw turned the meeting over to Mr. George Owens, P.E. who was representing Downes Associates, Inc. to present preliminary design information.

Mr. Owens introduced himself along with Mr. David Downes who were both present tonight representing Downes Associates, Inc. Mr. Owens gave some background information about the electrical system that the City of Seaford has and how it was established. He stated that this is not a project that can be put off any longer. The City has used all of the resources that they can to keep the system going and the infrastructure needs to be updated. The City staff came to him after doing some research of the best way to replace the system. Their idea was a dual substation reconfiguration at the Pine Street substation location. The City was able to purchase the lands next to their current substation at Pine Street and now have the land and size to expand the substation and have a dual substation at that location.

Mr. Owens discussed the age, location and current issues with the City's current three substations. There are some major concerns that if one goes out if the other two could maintain the current load for an undetermined amount of time for the City.

Mr. Owens explained that the preliminary design project would be to design and replace Pine Street Substation and Central Substation. This would be designed to sit next to the current Pine Street substation. The new substation work would be the equivalent of building two new substations at one location. The new substation would also have a new building and control systems to meet current industry standards. The City has also requested from Delmarva Power the permission to install a secondary tie in the Ross substation location. The City currently has one point of delivery with the supplier and if the point of delivery is lost, there would be no power to the City of Seaford. A second tie would allow Seaford to continue to receive power should the primary one need to be taken out of service. The project schedule is projected to take 24 months once the decision is made to move forward with the project and funding is obtained.

Mr. Owens then discussed the preliminary estimates and recommended a \$9,000,000 preliminary project budget. The budget would include a 25% preliminary phase contingency, because some items can take up to a year for delivery and suppliers of those items will not project product prices that far out. As the project progresses more accurate prices will be given.

Patrick McCullar, CEO & President of Delaware Municipal Electric Corporation came forward to discuss the financing options for the project. Mr. McCullar shared a brief description and history of DEMEC and

Public Power. He then shared three financing options that the City of Seaford has for the project: General Obligations Bond, USDA Loan Program and DEMEC on behalf of financing. His recommendation is to use the DEMEC financing because it saves time and money for the City of Seaford. That option would not require a referendum and would not affect the City's debt ceiling. He also stated that the City of Seaford would only receive the amount of the project plus the fees for the project. DEMEC would pay for the cost of the project and if there was any money left over then it would be up to DEMEC to decide what to do with that money. He added that DEMC is a highly-rated financing entity and is a lower cost tax-exempt financing option for the City of Seaford. He also added that interest rates are at an all-time low and now is a good time to be borrowing money.

Mr. David Downes from Downes Associates, Inc. came forward to discuss the impact to the customer. He stated that there would be a 2%- 3.2% impact to the customer which would mean an average of \$2.70 to \$4.28 a month increase in their electric bill based on the average residential monthly bill using 882 kwh.

Mayor Genshaw then asked for questions from the Council, there were none.

Mayor Genshaw then asked for questions from the Public. Dan Cannon came forward and asked questions regarding the financing which were answered in whole by Patrick McCullar.

Max Walton, Esq. for DEMEC came forward and read the title and chapter from the Delaware Code Book that allows DEMEC to borrow money on their member's behalf.

Jim Watson from Nanticoke Memorial Hospital came forward and commended the City, Downes Associates and DEMEC on their work on the project. He understands that it is needed and the infrastructure needs to be upgraded. He added that reliability of electric is very important for the hospital in order to provide care for their patients.

With no further questions or comments, Mayor Genshaw dismissed the meeting at 8:23 p.m.

Dolores J. Slatcher, City Manager

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