UTILITY COMMITTEE

The Utility Committee Meeting was held on September 22, 2014 at 5:15 p.m. with Councilwoman Williams presiding. Members present were Mr. Perza (arrived at 5:16 p.m.), Mr. Slavin, Mr. Blakeman, and Mr. Snaman. Members of Council present were Mr. Anderson (arrived at 5:23 p.m.), Mr. Dixon, and Mr. Hutchison. Mayor Christiansen was also present.

AGENDA ADDITIONS/DELETIONS

Mr. Blakeman moved for approval of the agenda as presented, seconded by Mr. Snaman and unanimously carried.

Amendments to the Lakeland Interconnection Agreement (Tidewater Utilities)

Mr. Scott Koenig, City Manager, informed members that the Lakeland Interconnection is located on South State Street, past Wolf Creek and Highview Avenue, which extend back to St. Jones Commons. He explained that the City of Dover extended water to that area in 2002-2003, and, in May 2004, the City of Dover and Tidewater Utilities, Inc. (TUI) entered into an interconnection agreement for the primary purpose of providing fire protection (water supply) assistance to Tidewater's service territory on South State Street. This interconnection, known as the Lakeland Interconnection, had been functioning in this capacity since the agreement was signed. Mr. Koenig stated that in late July 2014, TUI submitted a request to City staff to alter the agreement so that domestic water supply could be purchased for this area at the "in city" rate. TUI indicated that the domestic demand in this area had been between 800,000 and 1,200,000 gallons per month.

Having reviewed the request, Mr. Koenig felt that amending the agreement would be in the best interest of both entities. Provided a monthly facilities charge for the existing 6" meter (currently billed at $497.55 per month per Tidewater's tariff) remained in place, Mr. Koenig stated that staff had no objections to extending the "in city" rate, since this would amount to a substantial bulk purchase of water. Mr. Koenig informed members that Mr. Bruce Patrick, Director of Engineering, TUI, advised him that in order for TUI to continue to provide domestic water service, they would be facing significant upgrades, such as putting in an elevated storage tank or additional pumping system.

Mr. Koenig stated that, upon approval of the agreement, the City would bill TUI a monthly facilities charge based on the in-city rate, and TUI would then bill their individual customers. He advised members that the monthly facilities charge was identified in TUI's tariff; therefore, it would fluctuate based on any changes to TUI's tariff, noting that it had gravitated upward significantly over time. Mr. Koenig explained that under the initial agreement with TUI for fire protection, the City billed TUI a facilities charge on a quarterly basis and, if there was a fire, they were also billed on the fire demand. Mr. Koenig stated that under the new proposal TUI would buy domestic supply as well as fire supply.

Mr. Koenig indicated that the relationship with TUI had been well established since around 1997-1998 and noted the profitability that the relationship had brought to the City. He informed members that the City had several existing interconnection agreements with TUI, including Carlisle Village, Winding Ridge, and Lakeland, as well as a two (2) way, stand-by agreement for an interconnection at Wilmington College that would allow TUI to buy water from the City or vice versa in the event of an emergency. Mr. Koenig stated that if the amendments were approved by Council, TUI would expect to open the connection for domestic supply in early 2015.

Staff recommended that the City Manager be authorized to amend the existing Lakeland Interconnection Agreement with Tidewater Utilities, Inc., to include the monthly facilities charge allowed in Tidewater's tariff and to also include the supply of both domestic water and fire protection at the meter location.

Responding to Mr. Perza regarding the cost to the City, Mr. Koenig indicated that there would be no additional expense to the City since the interconnection was already in place and the pipe had been in place for 12-15 years. Mr. Koenig said that the only cost was to produce and supply the water; all other costs were imbedded in the already existing agreement.

Mr. Perza questioned whether providing domestic water to Lakeland could drain the City's supply or create shortages in other areas. Responding, Mr. Koenig assured members that this would not create a drain on capacity. He explained that the usage was between 800,000 - 1.2M gallons per month and the City had been planning for capacity. He noted that TUI was a good customer and a substantial user, the agreement would bring revenue, and only one (1) meter would be required, rather than 25 or 50.

In response to Mrs. Williams regarding whether this expansion would set a precedent, Mr. Koenig stated that this would not be the case, explaining that the interconnection agreement was already in place relating to fire demand using the "in-city" rate. He said that the City had the right to set rates as long as it follows the Council approval process. In addition, Mr. Koenig noted that the facilities charge was unique to this customer and helped to offset the "in-city" rate.

Responding to Mayor Christiansen regarding fire hydrants in the area, Mr. Koenig stated that there were fire hydrants on Highview Avenue and that the feed into the Lakeland Mobile Home Park also had a hydrant. He was uncertain of the number or location of other hydrants in the area. Mayor Christiansen questioned who would bear the expense of additional hydrants, if necessary. Responding, Mr. Koenig assured members the City would not be responsible for adding hydrants in the TUI service territory and confirmed that use of City of Dover fire hydrants would be required if more hydrants were installed.

Mr. Blakeman moved to recommend approval of staff's recommendation to authorize the City Manager to amend the existing Lakeland Interconnection Agreement with Tidewater Utilities, Inc., to include the monthly facilities charge allowed in Tidewater's tariff and to also include the supply of both domestic water and fire protection at the meter location, seconded by Mr. Snaman and unanimously carried.

Mr. Snaman moved for adjournment, seconded by Mr. Blakeman and unanimously carried.

Meeting adjourned at 5:25 p.m.

Beverly C. Williams
Chairwoman

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