# UTILITY COMMITTEE

The Utility Committee Meeting was held on August 11, 2014 at 5:00 p.m. with Councilman Perza presiding in the absence of Chairwoman Williams (arrived at 5:15 p.m.). Members present were Mr. Slavin, Mr. Blakeman, and Mr. Snaman. Members of Council present were Mr. Dixon, Mr. Hare (arrived at 5:15 p.m. and departed at 5:20 p.m.) and Mr. Hutchison (arrived at 5:06 p.m.). Mayor Christiansen was also present (arrived at 5:08 p.m.).

**AGENDA ADDITIONS/DELETIONS**

**By unanimous consent, the agenda was approved as presented.**

**Evaluation of Proposals and Proposed Budget Amendment - Unit 3 Cooling Tower**

Mr. Scott Koenig, City Manager, advised members that the Draft FY2015 Operating and Capital Budget includes Unit 3 Cooling Tower Repairs, which is a multi-year project budget of $1,289,000. He explained that this project is intended to replace the fill and fill support structures on the McKee Run Unit 3 Cooling Tower. It also includes the replacement of the hot water basin floor and miscellaneous structural members within the tower. This contract work represents the majority of work to be performed on this project. Mr. Koenig stated that the Plant Manager, Mr. Vincent Scire, would provide details, explaining that the City has an opportunity to accelerate the project and complete Phases I (FY-2015) and II (FY-2016) in FY-2015 during the City's fall 2014 outage. He noted that if the project is accelerated, as proposed, there will be an overall budget savings of approximately $80,000, which can be accomplished by a re-prioritization of the FY-2015 Capital Projects at the McKee Run Power Plant to allow this project to be completed in FY-2015.

Mr. Scire, NAES Corporation, reviewed the Power Point Presentation provided to members as Exhibit A. It was noted that members were provided the original CIP for this project (depicted as Exhibit B) as well as a revised CIP (depicted as Exhibit C).

Staff recommended the acceptance of the revised CIP and awarding the contract for the McKee Run Unit 3 Cooling Tower Repairs (Project # EG1402) to Evaptech in the amount of $951,000 as detailed in their proposal.

Responding to Mr. Blakeman, Mr. Scire stated that, to his knowledge, the fill has never been replaced and there has been very little work done to the Unit 3 tower, except for miscellaneous repairs to the fill and fill supports; therefore, he stated they have had their useful life in terms of "operability." He indicated that there is some advantage, explaining that when the fill and fill supports are replaced, a different design will be used which, from a thermal performance aspect, will allow for some improved efficiency; however, he could not guarantee this would be measurable and he anticipates a 20-year life span.

In response to Mr. Perza, Mr. Koenig stated that he had no knowledge of any detrimental affects for re-prioritizing the CIP. Although there is always a potential, he felt confident that the costs for any projects that are being deferred would not be increased more than $80,000, which is the savings realized by completing phases I and II in this fiscal year.

At the request of Mr. Slavin, Mr. Koenig explained that the requested amendment was not known during the discussion of the City's Budget and CIP in May. He stated that the potential inclusion of the two (2) phases was not known until the proposals were actually submitted, which occurred after the budget submissions. Mr. Scire indicated that the proposal received for Phase I was approximately $100,000 more than estimated due to the expanded scope of work that was determined through discovery that took place in the Spring, which was three (3) months after a fair price estimate was provided by a contractor who also conducted an inspection. In essence, he stated that the cost increased as a result of the scope of the work increasing. In order to obtain good budget estimates, he explained the necessity of requesting firm pricing for work with a definite schedule of work to be perform. Mr. Scire indicated that the contingency amounts are set based on the knowledge of the project. In some instances, he stated that a contingency of 20% would initially be set and then as more details are known, the contingency would be reduced, noting that this project has an 8% contingency as a result of receiving firm pricing.

Mr. Blakeman moved to recommend approval of staff's recommendation for the acceptance of the revised CIP and awarding the contract for the McKee Run Unit 3 Cooling Tower Repairs (Project #EG1402) to Evaptech in the amount of $951,000. The motion was seconded by Mr. Snaman.

Mr. Slavin stated that although he will support the recommended action, he relayed his concern regarding CIP Projects being reshuffled after just recently being approved.

**The motion to recommend approval of staff's recommendation for the acceptance of the revised CIP and awarding the contract for the McKee Run Unit 3 Cooling Tower Repairs (Project #EG1402) to Evaptech in the amount of $951,000 was unanimously carried.**

**Quarterly Review of Utility Related Capital Investment Plan (CIP) (Electric and Water/Wastewater)** ***(April, May, and June)***

Members were provided a Project Tracking Report, as of June 30, 2014, for the Utility (Electric and Water/Wastewater) Related Capital Investment Plan (CIP). Mr. Scott Koenig, City Manager, advised members that this report is preliminary since the actual project costs and final invoices are still being paid for fiscal year 2014. He noted that staff has made substantial progress this year in cleaning up and closing out several projects as the City becomes more fully staffed. As the final numbers are received, Mr. Koenig stated that many of the projects will be finalized and, as a result, they will be removed from the report.

No action was required by the committee.

**TEA/NAES Report** ***(May and June)***

The TEA/NAES Monthly Reports for May and June 2014 were provided to members to enable them to monitor electric sales and revenues received, which will provide a better understanding of any fluctuations that occur and allow the opportunity to make improvements if deemed necessary.

Mr. Blakeman requested that the NAES Report be amended to reflect the current value/cost of capacity in order for it to be tracked over a period of time.

**By unanimous consent, the TEA/NAES Monthly Reports for May and June 2014 were accepted.**

**Updates**
The following updates were provided to members:

Green Energy Funding and Programming
Members were provided details regarding Green Energy Funding and Programming.

National Pollution Discharge Elimination System (NPDES) Municipal Separate Storm Sewer Systems (MS4) Permit
Mr. Scott Koenig, City Manager, advised members that there is no further information to report on the National Pollution Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) permit.

Garrison Oak Technical Park Project Updates
Due to time constraints, Mr. Scott Koenig, City Manager, indicated that the updates for the Garrison Oak Technical Park Project will be provided to members during their next meeting.

Progress Update on Purchase Power Agreement
Mr. Scott Koenig, City Manager, read a statement provided by Mr. Kirk Betts regarding the Purchase Power Agreement (Calpine Negotiations), as follows:

> *"Dover's representative, Kirk Betts, has had frequent exchanges with Calpine's power supply representatives to reach an agreement. Currently, they have not reached an agreement that will be acceptable to the City of Dover at this time, but they continue to work toward achieving that goal. Calpine is in a unique position because it has an opportunity to present a very attractive price without competing with others.*
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> *The focus of the negotiations has been on securing the right energy product at a price that achieves the City's expressed goals; those twin goals being a price that ensures a competitive price for Dover's customers now and throughout its term, plus a reasonable return to the City for its significant investment in the infrastructure with respect to roads, water, sewer, etc. needed by Calpine to develop the plant.*
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> *Among the items being negotiated are: whether a purchase should consist of capacity and energy; whether to purchase a firm load or an option to purchase as needed; whether to purchase just capacity to replace the capacity currently satisfied by Dover's Units 1 and 2; and whether to purchase more or less than 34 megawatts, and if more, how much extra capacity. The focus currently is on a capacity arrangement for approximately 39 megawatts during a 15 to 20 year term. The negotiations also have addressed escalation, fuel risk, delivery point, and heat rate, which refers to the amount of energy produced from a fixed amount of natural gas.*

*Mr. Betts has relied on Dover's agent, TEA (The Energy Authority), for capacity and energy pricing models that are used to benchmark the competitiveness of offers, and is working with the Electric Director to bring this to either an agreement that can be recommended to Council or a recommendation to proceed on an alternative path for meeting Dover's energy requirements."*

Responding to Mrs. Williams regarding the status of negotiations, Mr. Koenig stated that Calpine has provided the City prices that have not met expectations. He felt confident that Calpine understands the City's position.

Mr. Blakeman stated that during the past few months, there has been information indicating that capacity value is declining over time. Responding, Mr. Koenig stated that the City is taking this into consideration when purchasing long-term capacity. He stated that TEA (The Energy Authority) is conducting all the financial modeling of the options and that the City is considering, in the purchase profile, what capacity is worth in the out years. Mr. Koenig assured members that all issues are taken into consideration when making a decision. He advised members that the concern is that there is no way to predict an exact amount. However, he felt confident that enough information has been obtained to make a decision.

Mrs. Williams questioned the City's ability to include contingencies to assist the City with any cost issues. Responding, Mr. Koenig stated that the City has the ability, as a service provider for utilities, to adjust some of the input costs if the City is not able to get a desired purchase price.

**By unanimous consent, the meeting adjourned at 5:27 p.m.**

Adam M. Perza
Acting Chair

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