UTILITY COMMITTEE

The Utility Committee Meeting was held on April 14, 2014 at 5:00 p.m. with Councilman Perza presiding in the absence of Chairwoman Williams. Members present were Mr. Blakeman and Mr. Snaman. Mr. Slavin was absent. Councilman Dixon and Mayor Carey were also present.

AGENDA ADDITIONS/DELETIONS

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

Proposed Amendments to the Retail Customer Demand Response Program

Mr. Scott Koenig, City Manager, informed members that he was contacted by Mr. Scott Lynch, Energy Services Manager, Delaware Municipal Electric Corporation, Inc. (DEMEC) regarding the City's Demand Response Program (DRP). Mr. Lynch requested the City to clarify whether or not energy efficiency was included in the City's DRP. Mr. Koenig indicated that, in recent months, there had been renewed interest in adding energy efficiency to the DRP, and DEMEC and the City supported this concept. Mr. Koenig stated that Mr. Kirk Betts, Betts & Holt, LLP., the City's power supply attorney, suggested the incorporation of language that makes it clear that energy efficiency is a component of the DRP. Mr. Koenig stated that staff supported this change, as it was believed that this would help in the long-term management of the City's load.

Based on Mr. Betts' opinion, staff recommended that the second paragraph of the portion of the City of Dover Rates & Tariffs that applies to Retail Customer Demand Response be amended to read as follows:

> Dover or its authorized designee may allow a Customer to bid DR into PJM's ancillary services market for energy imbalance, energy efficiency, spinning reserves, supplemental reserves, reactive power and voltage control, or regulation and frequency response ancillary services, subject to the same terms and conditions.

Responding to Mr. Perza regarding potential fiscal detriment to the City if the amendment were adopted, Mr. Koenig stated that there would be no direct detriment. He indicated that if less energy were used, the City would sell less energy; however, the intent was for the system to be more efficient, which would be a better use of power in the long run.

In response to Mr. Perza regarding the need for countersignatures if the amendment were approved by Council, Mr. Koenig stated that signatures would not be necessary. He explained that the City would merely change the tariff and send the amended tariff to DEMEC, which would provide clear direction going forward.

Mr. Blakeman moved to recommend that the second paragraph of the City of Dover Rates & Tariffs - Retail Customer Demand Response be amended, as recommended by staff. The motion was seconded by Mr. Snaman and unanimously carried.

TEA/NAES Report *(February)*

The TEA/NAES Monthly Report for February 2014 was 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.

In reviewing the Executive Summary on Page 1 of the report, Mr. Scott Koenig, City Manager, noted that the graph entitled "Power Supply Costs FY2013-14" tracked power supply costs and reflected that January and February were very expensive months for the City. He noted that the cost for energy alone was $64.95/MWh versus a budgeted energy cost of $49.42 per hour. Mr. Koenig stated that the City had been tracking high, explaining that costs had exceeded the amounts anticipated in the budget and that staff was working diligently to get those items under control going forward. Referring to the Variance Report on Page 10, he noted that the budgeted cost of services for February 2014 was $65.35 per MWh, and the actual cost was $77.84 per MWh. The Year to Date (YTD) Variance Report on Page 12 showed that actual costs for power supply were running approximately $10.5M above anticipated cost. Mr. Koenig advised members that electric revenues were approximately $5M higher to date this fiscal year; therefore, some of this cost is offset. He noted a deficit of approximately $6.7M for the total utilities cost and assured members that staff was working to bring these costs under control.

Mr. Koenig informed members that, from a budgetary standpoint, staff was having to transfer additional funds from the rate stabilization reserve to balance the cost of energy and that this would be reflected in the revised budgets that he and Mrs. Donna Mitchell, Controller/Treasurer, would be bringing forward for consideration. He indicated that staff was hopeful that these costs would become controlled over the next few months. Mr. Koenig stated that it appeared that the high reactive services charges that the City experienced earlier this year were now more in control, but the February overall costs "hit the City hard."

Referring to the Supply Variance on Page 2 of the report, Mr. Blakeman questioned the reason for the large difference between budgeted and actual figures for Solar Energy Cost ($/MWh), noting that there should be no fuel cost associated with solar power. He reminded members that the City had purchased less solar power than was budgeted. Responding, Mr. Koenig stated his belief that The Energy Authority (TEA) had not received a final copy of information related to the solar cost and that updated costs were not included in this forecast. He noted that the contract with LS Power in regard to solar energy was very specific on the escalators going forward; therefore, the only real difference that should be reflected is whether the City sold more or less power than the budgeted amount.

Mrs. Mitchell explained that the annual escalator was not included in the budget for FY14 but would be included in the revised budget.

Mr. Snaman moved to accept the report, seconded by Mr. Blakeman and unanimously carried.

Garrison Oak Technical Park Project Updates

Mr. Scott Koenig, City Manager, provided the following updates:

City Infrastructure

Mr. Koenig stated that Mr. Jason Lyon, Water/Wastewater Manager, had been working with contractors to line up project starting dates and several coordination meetings had been held. Staff was anticipating earthmoving and stormwater construction to begin within the next few weeks. Mr. Koenig noted that the subaqueous land permits for the crossing of the tax ditch had all been submitted and reviewed and a meeting was scheduled with Becker Morgan Group for April 15, 2014 to review the results, so it was expected that permits would be completed shortly. He stated that obtaining permits was the final component necessary before construction.

Calpine Energy Center

Mr. Koenig stated that the Calpine project was progressing. He explained that there had been an issue regarding the construction road back to the energy block; however, as of April 14, 2014, the final authorization had been signed to allow for Calpine's contractor to maintain this road at their expense with the necessary waivers in place to do so. It was expected that this work would begin shortly. Mr. Koenig noted that the Garrison Energy Center was on track and weekly coordination meetings were being held on Monday mornings to identify any outstanding items. He stated that Delmarva Power and Light (DP&L) was beginning work on clearing the alignment from the Garrison Energy Center back to the 230kV tie; therefore, associated tree cutting and earthwork may have started or would shortly. Mr. Koenig believed that the City had all of the necessary easements for the alignments for the radial line, as well as the lay-down areas and cross-access issues associated with DP&L for the industrial park.

Mr. Koenig advised members that it was believed that the land transfer of Lot 12 to Uzin Utz was very near completion and that construction was anticipated to begin later in April or early in May. He stated that all of the projects were tracking to match up with the dates provided and staff was hopeful and expectant that all infrastructure would be complete by the end of calendar year 2014, with the possible exception of the final coat of paving. He indicated that the operation of the energy block was slated for June of 2015, with testing of the facility to occur in early 2015.

Mr. Blakeman questioned if the transmission line would extend across and up or out of the back side of the plant. Responding, Mr. Koenig stated that it would extend out the back way, south to Lot 6 and then east; it would not come all the way down White Oak Road until past the Harmon Farm.

Dover Sun Park

Mr. Koenig reviewed information regarding the Electric Revenue Fund, FY 14 - White Oak Solar Park Incremental Cost, noting that the fiscal year-to-date (YTD) incremental Sun Park cost was $173,582. He explained that this was the amount of extra money paid by the City for the power coming from the solar block; however, this was necessary to meet the City's renewable energy requirements.

Mr. Blakeman inquired if any problems had been expressed by LS Power in regard to the effects of construction at the site on their solar panels, Mr. Koenig stated that a lot of concern had been expressed previously; however, he had not heard anything recently from LS Power. It was his belief that the period had passed when the largest amount of dust was being generated at the site and that LS Power was able to work out compensation for those inconveniences.

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

Meeting adjourned at 5:14 p.m.

Adam M. Perza
Acting Chairman

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