UTILITY COMMITTEE

The Utility Committee Meeting was held on June 11, 2012 at 5:00 p.m. with Chairman Bonar presiding. Members present were Mr. Perza, Mr. Blakeman, and Mr. Snaman. Mrs. Williams was absent. Members of Council present were Council President Leary and Mr. Hutchison. Mayor Carey was also present.

AGENDA ADDITIONS/DELETIONS

Mr. Bonar noted that staff had requested the deletion of Agenda Item #2 - Proposed Resolution No. 2012-11 - Adoption of the American Public Power Association Safety Manual.

By unanimous consent, the agenda was approved as amended.

McKee Run Generating Station Industrial Wastewater Discharge System

Mr. Vince Scire, Manager of the McKee Run Generating Station, submitted a new Capital Improvement Project - Industrial Waste Water Discharge System at McKee Run Generating Station and Exceptions in Capital Outlay. He advised members that the project has been developed to address a change in wastewater discharge requirements identified during an internal program audit and that there are three (3) main items being addressed simultaneously, as follows:

1) In the Fall of 2011, during a program assessment, it was identified that the McKee Run facility did not have metering in place for its sanitary wastewater discharge. Additionally, it was identified that, due to changes in the Kent County code, the facility needed to apply for an Industrial Wastewater Discharge Permit (IWDP). Based on both these requirements, the facility needs to segregate its industrial and sanitary sewer flows, meter both discharges, and sample the industrial flows per Kent County requirements.

2) This project facilitates the diversion of the current National Pollutant Discharge Elimination System (NPDES) wastewater discharges at outfalls 004 and 005 to the Kent County Wastewater Treatment Plant (WWTP). During the same wastewater assessment, and based on operational data supporting the decision to divert the flows, the cooling tower blowdowns will be re-routed from the McKee Run stream, to the Kent County sewer. Minimal additional work in the project scope has been required to make this change which will provide regulatory and operational flexibility to the facility during run times. The facility is at risk of not meeting the discharge parameters set forth by the Delaware River Basin Commission (DRBC) in Docket No. D-2009-014 CP-1. After evaluating various methods to comply, it was determined that the Kent County WWTP would be both willing and able to treat the cooling water discharge and this could be added into the already required IWDP application. This would also alleviate the need for the facility to conduct a thermal study of the discharge as required by the DRBC in the above Docket, a study which would likely provide no value and cost in the tens of thousands of dollars to conduct. In the past, due to the infrequent running of the cooling towers, bacterial growth (enterococci) has been a NPDES permit limit of concern and great care must be taken to both disinfect and circulate the cooling tower water prior to discharge. Diverting this discharge to the sanitary sewer alleviates this risk.

3) As the wastewater discharge is currently routed, a large amount of dilution water must be sent to the cooling towers to maintain the discharge concentrations of Total Dissolved Solids (TDS) to remain below permit limits as set by the DRBC. Based on current data and calculations, and depending on the operating conditions, it is projected that water consumption will increase between three (3) and 10 times to foster compliance. Additionally, it has been projected that if Unit 3 was to be called to run for an extended period of time, such as longer than one (1) week,

the TDS parameter would eventually rise to a level exceeding the permit limit, due to restrictions on how much dilution water could be added. Permit non-compliance would be simply a matter of when, not if, under an extended operating scenario. This increased water usage also directly contradicts the efforts the facility has made to conserve water, especially in times of drought, when the extended operating scenario would be most likely to occur.

Mr. Scire reviewed a Presentation - McKee Run Industrial Wastewater System, Tie-In of the McKee Run Industrial Wastewater Flow to the Kent County Sewer System and Elimination of the NPDES Industrial Discharge Points, as well as the benefits to implementing this project. He advised members that in the time since these needs were identified, an official application for an IWDP had been submitted to Kent County and the permit was ready to finalize. The permit included an exception, granted by Kent County Levy Court, to discharge the cooling water to the sanitary sewer. The proposed permit also included language specific to the McKee Run site which would allow for the operational flexibility needed to run the facility as required by the current demands placed on it. Preliminary engineering had been completed for the overall industrial wastewater system changes, and the site had been developing estimated project costs based on the best available information.

Mr. Scire reviewed the next steps to be taken involving this project. He noted that this was a new project that was not identified or funded in the original 2012 Capital Budget. In order to support the funding of the new project, he advised members that exceptions in the capital outlay for various original projects had been identified which will provide the needed offset in funding, as follows:

CIP	Original Projects	Approved 2012 budget	Proposed 2012 Budget	Notes
EG1102	Units #1-#2 Cooling Tower Life Extension	$25,410.00	$0.00	Project workscope deferred to 2014 due to run time
EG1107	Units #1-#2 Boiler / Turbine Life Extension	$196,331.00	$113,000.00	Work put on hold waiting for decision on continued operation of Units 1 and 2.
EG1112	Unit #3 Air Heater Expansion Joint	$82,807.00	$77,000.00	Project Complete
EG1113	Units #1-#2 Boiler Controls Upgrades	$25,700.00	$28,000.00	Project Complete
EG1114	Unit #3 Gas Line Modifications	$20,207.00	$16,000.00	Project Complete
EG1201	Unit #3 Boiler Air Heater	$440,000	$395,000.00	Project Complete
EG1202	Unit #3 Boiler Systems	$130,000.00	$121,000.00	Includes 40k for fuel
EG1203	Unit #3 ID and FD Fan Controls Upgrades	$92,000.00	$81,000.00	Complete in May
EG1206	McKee Run DI Controls Replacement	$65,000.00	$0.00	Workscope to be deferred due to higher priority workscope
EG1208	MCKee Run Switchyard Blast Walls	$50,000.00	$45,000.00	Project Complete
EG1210	Unit #3 Cooling Water Line Inspection	$25,000.00	$0.00	Reschedule to 2013 due to Unit run time
EG1211	Unit #3 Stack Repairs	$25,000.00	$20,000.00	Project Complete
EG1212	Unit 3 Turbine Inspection	$424,000	$405,000.00	Project closeout remaining
	Total Original Projects	$1,601,455	$1,301,000	
	Newly Proposed Project			
EG12XX	Industrial Waste Water System		$272,000	
	Total New Projects		$272,000	
	Revised Total		$1,573,000.00	

Mr. Bonar noted that there was a notoriously long backorder time for parts for projects such as this and questioned if the parts required were readily accessible and could be obtained in a timely fashion. Responding, Mr. Scire stated that he anticipated the longest lead item would be approximately four (4) to six (6) months.

In response to Mr. Blakeman, Mr. Scire indicated that stormwater discharges at the other outfalls were related to wastewater discharge to the cooling towers at the station and that the limits associated with these cooling towers were the concern. Clarifying, Mr. Brian Hoyt, Compliance Specialist, explained that the cooling tower portion of those outfalls would be taken out of service and they would be converted to general stormwater outfalls that are governed under the general permit in the State of Delaware. This would result in four (4) outfalls with much less stringent stormwater guidelines.

Responding to Mr. Bonar, Mr. Scire felt assured that the requested changes to the Power Plant Capital budget should not have an impact on any long-term CIPs.

Mr. Blakeman moved to recommend approval of the new Capital Investment Plan (CIP) for the Industrial Waste Water Discharge System at the McKee Run Generating Station and the transfer of funding from existing CIPs, as recommended by staff. The motion was seconded by Mr. Snaman and unanimously carried.

Annual Engineering Consultant's Report on the Operation and Maintenance of the Electric System - Fiscal Year 2011

Members were provided the Annual Engineering Consultants's Report on the Operation and Maintenance of the Electric System for Fiscal Year 2011, as prepared by Burns and McDonnell Engineering Company, Inc.

Mrs. Donna Mitchell, Controller/Treasurer, advised members that the report was required to fulfill the City's bond covenants. She reviewed the conclusion of the report (Page ES-6) which indicated that the City's power generation facilities were being operated and maintained in a manner consistent with accepted electric utility practices in the United States.

Responding to Mr. Blakeman, Mrs. Mitchell stated that, to her knowledge, this is the only inspection conducted. Elaborating, Mr. Vince Scire, Manager of the McKee Run Generating Station, indicated that insurance representatives conduct inspections at least once per year and these inspections are accomplished during the general overhaul period so that internal components can be inspected and internal procedures and processes can be reviewed.

Mr. Blakeman noted that the report indicated that *"the Electric Division has nine line crews to work on the system. Four crews are responsible for overhead lines, four crews are responsible for underground lines, and one crew is responsible for maintenance"* and questioned if one (1) crew was sufficient to maintain the system. Responding, Mr. Jeremy Johnson, Interim Electric Director, stated that although there was only one (1) maintenance crew, the four (4) overhead crews were also utilized for maintenance when necessary.

Noting that the report indicated that the majority of the four (4) overhead crews' time was spent on new construction, Mr. Blakeman questioned how much time is spent on maintenance. Responding, Mr. Richard Gardner, Line Crew Superintendent, stated that the underground crews generally work on new construction

building infrastructure, since most new construction is underground. He advised members that the overhead crews work on new distribution upgrade projects; however, there are times when they are needed and utilized for maintenance.

Mr. Blakeman moved to recommend acceptance of the Annual Engineering Consultant's Report on the Operation and Maintenance of the Electric System for Fiscal Year 2011, seconded by Mr. Snaman and unanimously carried.

FY 2013 FIVE-YEAR CAPITAL INVESTMENT PLAN (CIP)

Mr. Scott Koenig, City Manager, provided members with the draft FY2013 Five-Year Capital Investment Plan (CIP) for the Public Utilities. He noted that these were the same projects that have been presented and discussed by the Committee and Council during the past several months. In addition to Fiscal Year 2012-2013, the Plan included Fiscal Years 2013-2017

In response to Mr. Blakeman, Mr. Vince Scire, Manager of the McKee Run Generating Station, confirmed that the photo provided for project EG1202 was incorrect, as it reflected the package boiler and not the main boiler.

No further action was taken by the Committee.

Review of Utility Related Capital Investment Plan (CIP) ***(Electric and Water/Wastewater)***

Members were provided a Project Tracking Report, as of April 30, 2012, for the Utility (Electric and Water/Wastewater) Related Capital Investment Plan (CIP).

No further action was taken by the Committee.

Update - Garrison Oak Technical Park Project

Mr. Scott Koenig, City Manager, stated that the Garrison Oak Technical Park had been platted and approved. The City was continuing to work with the Garrison Energy Center on finalizing amendments to their lease, which is expected to be presented to the Legislative, Finance, and Administration Committee for their review and recommendation. He stated that the organization was working on the preliminary authorization from the Planning Commission, noting that there were several issues that needed to be addressed, such as performance standards, compliance with stormwater management, etc. He stated that the Garrison Energy Center was also working through air permitting with the State of Delaware.

Mr. Koenig indicated that the project was on track and the organization had apprised staff that they were anticipating building permits to be obtained during the first part of 2013, with capacity into the PJM grid in the summer of 2015.

In response to Mr. Hutchison, Mr. Koenig stated his understanding that Calpine and LS Power were meeting last week to resolve their issues. He stated that if these concerns were not resolved, the City would become involved with the matter; however, he advised members that they have committed to work out their differences.

Update - Green Energy Funding and Programming

Mr. Scott Koenig, City Manager, noted that members had received an update on Green Energy Funding and Programming and offered to respond to any questions.

Update - National Pollution Discharge Elimination System (NPDES) Municipal Separate Storm Sewer Systems (MS4) Permit

Referring to the National Pollution Discharge Elimination System (NPDES) Municipal Separate Storm Sewer Systems (MS4) Permit, Mrs. Ann Marie Townshend, Director of Planning and Community Development, relayed appreciation to the generosity of the Wesley College Environmental Sciences Program, which provided an intern during the school year who, she stated, has been working for the City for 10 hours per week, at no charge, to help keep the City permit compliant.

Mrs. Townshend noted that the City held two (2) Compost Workshops and that Drip Irrigation Workshops would be held at the Public Assembly Room at the Dover Police Department on June 28 and June 30, 2012. She stated that the City was working on incorporating environmental programming into the City's Summer Day Camp Program. She stated that the progress the City has made in this regard was due to the assistance provided by Wesley College.

By unanimous consent, the meeting adjourned at 5:27 P.M.

David L. Bonar
Chairman

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