UTILITY COMMITTEE

The Utility Committee Meeting was held on April 23, 2012, at 5:00 p.m. with Chairman Bonar presiding. Members present were Mr. Lynn, Mr. Snaman, and Mr. Blakeman. Mrs. Williams was absent. Members of Council present were Mr. Leary, Mr. Hutchison, and Mr. Hare. Mayor Carey was also present.

AGENDA ADDITIONS/DELETIONS

Mr. Bonar requested that Item #5, Update - Garrison Oak Technical Park Project, be considered first.

By unanimous consent, the agenda was approved as amended.

Update - Garrison Oak Technical Park Project

Mr. Scott Koenig, City Manager, advised members that he signed the record plat last week and the subdivision can be recorded and the lots can be created.

The master plan for the Garrison Energy Center received conditional approval by the Planning Commission on April 16, 2012, which lays the path forward for Calpine to obtain the necessary permitting associated with the facility, as well as continuing review of the site plan and addressing the comments and conditions resulting from the Development Advisory Committee (DAC) review.

Mr. Koenig stated that Calpine's presentation for the New Jobs and Infrastructure Fund grant application for approximately $2.5M is scheduled for review on April 26, 2012.

Proposed Ordinance #2012-12 - Amending Chapter 110 - Utilities, Article III - Water Service, Division 1 - Generally, Section 110-61 - Definitions and Section 110-67 Private Wells

Mrs. Sharon Duca, Interim Public Works Director, reminded members that Ordinance #2011-20, which was adopted on September 12, 2011, was intended to clarify the uses of wells within the City limits. She noted that, in recent months, situations have arisen which indicate the need for further clarification. Mrs. Duca advised members that Proposed Ordinance #2012-12 adds definitions pertaining to wells, provides clarification to the installation of shallow and agriculture wells, and provides for an administrative variance for shallow wells.

Responding to Mr. Bonar, Mrs. Duca stated that the ordinance addresses the recent constituent concerns by defining "farm" as a tract of land for agricultural use and shall include farm residences, buildings, and other structures located on the farm, and being accessories to a farm operation.

Referring to (d)(1) Geothermal heat exchange wells, Mr. Lynn noted that there was very specific language related to these wells. He referenced an issue related to alternative energy encountered by a homeowners association that he represents and he requested that the City Solicitor review this section to ensure that it is consistent with State law.

Mr. Lynn moved to recommend adoption of Proposed Ordinance #2012-12, as presented, seconded by Mr. Snaman and unanimously carried.

Presentation by The Energy Authority (TEA) - Capital Improvement Projects (CIPs) Related to Units 1 and 2

Mr. Jamie Mahne, Vice President of Client Services and Chief Client Officer of The Energy Authority, advised members that they had been requested to prepare an analysis of the benefits of offering McKee Run Units 1&2 into the next capacity auction for PJM given some concerns regarding the capital improvements required to keep the units active and available. He stated that offering the units for the auction would obligate the utility to maintain the units through the next auction timeframe, which runs from June 2015 to May 2016.

Mr. Mahne reviewed the PowerPoint Presentation entitled Cost/Benefit Analysis for City of Dover McKee Run Units 1&2, dated April 23, 2012.

Responding to Mr. Bonar regarding locational pricing, Mr. Mahne stated that the premium is sometimes $100 per megawatt-day (MWd). He noted that Dover has paid an average of $180 per Mwd since the 2007/08 planning year and the market has peaked at $245 per MWd. Mr. Bonar requested information on the five (5) year average premium paid and the penalties incurred.

Mr. Mahne stated that they recommend the following:

- In the short term, offer Units 1 & 2 into the 2015/16 capacity auction in May 2012, noting that the risks are that operational failure will expose Dover to incremental capacity auctions and penalties and if additional significant capital improvements are required in the next three (3) years (i.e., Alternative Scenario), Dover's cash flows will be at risk. At that point, Dover may decide to replace the capacity in the incremental auction and not incur the capital expense.
- In the long term, create an Integrated Resource Plan (IRP) for the City of Dover's electric utility; survey all supply options, including new generation projects in and around Dover, and weigh against the cost of future capital improvements to Units 1&2; and take a holistic approach, to include future resource needs (i.e., wind); complete by April 2013.

Mr. Bonar noted that an IRP can be very expensive. Responding, Mr. Mahne stated that an IRP based on known data would be less expensive.

Mr. Blakeman expressed concern with the effect that the Calpine Energy Center would have on the capacity market once its 300 to 600 Mw is online. Mr. Mahne indicated that it would reduce the price; however, he noted that the effect of coal plant retirements and the increase in natural gas capacity that is being built is being taken into consideration for planning purposes.

Responding to Mr. Hare, Mr. Mahne stated that if there was no plant, the City's net deficit would be $3.5M.

The Committee took no action on this item.

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

Due to time constraints, this item was deferred until the next meeting.

FY 2013 Five-Year Capital Investment Plan (CIP)

Due to time constraints, this item was deferred until the next meeting.

By unanimous consent, the meeting adjourned at 5:53 P.M.

David L. Bonar
Chairman

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