UTILITY COMMITTEE

The Utility Committee Meeting was held on September 23, 2013 at 5:30 p.m. with Chairwoman Williams presiding. Members present were Mr. Perza (arrived at 5:40 p.m.), Mr. Slavin, Mr. Blakeman, and Mr. Snaman. Members of Council present were Mr. Dixon, Mr. Lynn, Mr. Hare (arrived at 6:00 p.m.), Mr. Hutchison, and Council President Bonar. Mayor Carey was also present.

AGENDA ADDITIONS/DELETIONS

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

Dedication of Rights-of-Way and Public Infrastructure - Lexington Glen Phase 2

Mr. Scott Koenig, City Manager, advised members that Ashburn Homes, Inc., the responsible party for completing the public infrastructure within Phase 2 of the Lexington Glen Subdivision, had requested that all public infrastructure improvements related to this phase be dedicated to the City of Dover for permanent ownership and maintenance. He reviewed an outline of the public improvements associated with Phase 2 and noted that the total construction value of the public improvements was $414,222. In addition, he reviewed a map depicting the general location and configuration of the subject rights-of-way.

Mr. Koenig assured members that Ashburn Homes, Inc. completed construction of the improvements within Phase 2 in accordance with City standards and specifications. After construction was completed, City staff inspected the public improvements and developed a list of repairs to be made to meet the City of Dover Standards and Specifications for Public Works Construction. Mr. Koenig noted that all work required by the Public Works Director had been completed. A one (1) year Maintenance Agreement and a Release of Liabilities would be submitted as part of the dedication process. He stated that the required as-built drawings of the infrastructure, as well as videos of the sanitary sewer mains, had been provided to staff.

Staff recommended acceptance of the dedication of rights-of-way and public infrastructure in Phase 2 of the Lexington Glen Subdivision, with the dedication to include all of the referenced public improvements.

Mr. Blakeman moved to recommend approval of staff's recommendation for the acceptance of the dedication of rights-of-way and public infrastructure for Lexington Glen Phase 2, to include all of the referenced public improvements. The motion was seconded by Mr. Snaman and unanimously carried.

Rate Classification/Tariff Amendment for Churches

Mr. Scott Koenig, City Manager, advised members that staff had received a request from the Presbyterian Church of Dover (the Church) to consider a change in tariff language for the C/C1 (Small Commercial) description. Specifically, he stated that the request was to have the wording "or have instrument rated metering" removed from the C/C1 classification description. He explained that for this specific example, the Church had consumption levels below the 3,500 kWh/month limit for the C/C1 designation, but their electrical service metering was of the instrument rated type, which would prevent them from requesting a classification change from C5 to C/C1. The Church was seeking the new classification to avoid the demand charges associated with the C5 classification.

Mr. Koenig explained that it appeared that, several years ago, certain churches were included in the residential tariff before commercial tariffs became customized and more sophisticated. At that time, staff sought input from the City's power supply attorney, Mr. Kirk Betts, on this subject. Mr. Betts advised staff that many churches hold functions in the evening from 6-10 p.m., which is a part of PJM's 16-hour peak period, as well as on weekends. Typically, the more active the church, the more likely it is to have a consumption pattern that is similar to commercial users rather than residential users. Mr. Betts advised against creating a specialized "church" or "houses or places of worship" tariff. Mr. Betts also indicated that, as a general rule for rate making, tariffs and rates are based upon cost causation; therefore, similar voltage, demands, and consumption patterns should pay similar rates. Mr. Koenig stated that, based on a review of property listings and the type of use of actual buildings (not a review of individual demands), there were as many as 24 churches that may be in the same situation as the Presbyterian Church of Dover; therefore, any change to the tariff could alter the City's revenue projections based on the modeling of the system.

Mr. Koenig reminded members that the City of Dover had spent a considerable amount of money to complete detailed rate classifications and projections based on the approved tariff language and classifications. Any modifications to the tariffs without analyzing the potential impact on the rates and revenues could degrade the integrity of the current rates. Mr. Koenig indicated that detailed modeling of the requested tariff modification would require input and analysis from the City's rate consultant to ensure accuracy and fairness with respect to financial modeling. He explained that such effort would likely create costs for the utility. As an alternate solution, the Presbyterian Church could rework their metering configuration (at a substantial cost) to comply with the current C/C1 tariff language.

Staff recommended that no action be taken on this request at this time and that the issue be evaluated during the next rate study conducted for the Electric System.

Mr. Koenig stated that the Presbyterian Church had done a good deal of work on their usage and demand and had been a good customer, considering that they had made attempts to conserve energy where appropriate; however, staff was very concerned about altering the tariff language, the unintended consequences of such alteration, and how this may affect the City's rates.

Mr. Koenig noted that a review of the Church's profile over the last year revealed that consumption was under the 3,500 kWh per month consumption limit for C/C1 and ranged from 2,100 to 2,800 kWh. As a result, he stated that they do meet the kWh criteria; however, the instrument rated metering portion was not in compliance and the concept of moving the Church from classification to classification was a concern. He advised members that the City's rates were standard industry rates, there was no additional or special language included in the tariff, and the provision had been included for several years. He explained that staff was concerned about the effect that such a change could have on the tariffs, as well as making any adjustments in "mid-stream." The estimated cost of changing the Church's service to new metering was $5,000-$7,000.

Responding to Mr. Slavin, Mr. Koenig stated that the Church spent $240-$350 per month; therefore, it would take approximately 2 - 2½ years to recapture the $5,000-$7,000 cost.

In the interest of disclosure, Mr. Blakeman advised members that he served as a Trustee for the First Baptist Church; therefore, he would recuse himself from voting on this matter since he had a vested interest. However, he questioned who installed the meter that was presently serving the Church. Responding, Mr. Koenig stated that the City owned the meter and the Church owned the meter pan, explaining that the meter was installed by the City to adjust to the Church's meter pan.

In response to Mr. Perza, Mr. Koenig stated there were many properties with meters in the C5 classification, including an estimated 24 church properties. The estimated financial impact as a result of a change for this classification would be a minimum of approximately $3,600 per year, per location. Mr. Steve Enss, Interim Electric Director, indicated that the meter was provided based on the size of the service. He explained that the meter provided for the Church had the capability to take higher voltage than an average residential meter can read and bring it down to a level that could be read with a meter. If a church requests a large service, installation of instrument transformers would be required. If a church requests a small, 200-amp, residential-type service, a C1 classification (400 amp service and below) meter would be assigned, which would not fall into the C5 classification. Mr. Enss indicated that there was potential for the Presbyterian Church to use more than 400 amps; however, the Church was currently falling under 400 amp usage, and they had the option to reduce the size of their current service. He stated that when these types of changes occur, the expense is borne by the customer.

To clarify questions of Mr. Slavin, Mr. Enss stated that the meter was installed by the City based on the customer's request and service size, explaining that a service size greater than 400 amps was requested and that the City installed an instrument transformer to meet that request. Responding to Mr. Perza, Mr. Enss indicated that every meter is installed by the City.

Considering the time frame that it would take the Church to downsize and upgrade their meter, Mrs. Williams questioned the possibility of the Church being charged at the rate they are using rather than the rate of the service provided. Responding, Mr. Koenig stated that staff did not have the authority to charge customers differently from tariff requirements; therefore, it was necessary to place customers within the tariff that meets the definition of their service. He stated that, to his knowledge, there had been no precedent to go beyond the tariff during the past two (2) years; however, he felt that there may have been prior instances when temporary tariffs had been put in place.

At the request of Mrs. Williams, Mrs. Donna Mitchell, Controller/Treasurer, confirmed that there had never been an instance where the City had gone beyond the tariff requirements. She noted that this action might be in violation of the City's bond covenants, which require the City to charge according to the tariffs.

Mr. Koenig stated that when electric demands for a facility are identified, the customer works directly with the Electric Department to size the service, as well as the meter, to meet the demand. He indicated that when commercial customers desire to downsize or consolidate their businesses, they must request a meter change, requiring an adjustment to their service size.

Responding to Mr. Hutchison, Mr. Koenig indicated that it would be a couple of years before the City would conduct the next rate study, unless City Council directed staff otherwise. Mrs. Mitchell suggested that members may wish to consider having the demand data gathered for this type of classification and send this to the consultant separately to obtain his opinion in a timely manner.

Council President Bonar noted that the request of the Church was received in April and felt that staff had ample time to gather the suggested information and provide it to members at this time for their review and consideration. Since the Church had been waiting since April for an answer regarding their request, he felt that members owed them an answer at this time.

Mr. Gary Patterson, 41 Park Drive, stated that he served as the Secretary of the Trustees of the Presbyterian Church of Dover and the Clerk of Session and was serving as the representative of the Church in regard to this issue. He advised members that the Church was now in its 299th year in the City of Dover and, in advance of the 300th year anniversary (beginning September 2014), the 276-member congregation had committed over $300,000 in capital improvements that would be undertaken during the next 12 months, some of which had begun. He stated that some of these improvements included upgrades to the 1950's education wing (located right of the sanctuary), where electric service was not "knob and tube" but contained fuses that no longer exist and parts that could not be located; therefore, the Church had committed $20,000 - $25,000 to upgrade the electrical system. He stated that, in anticipation of this improvement and other improvements to follow, the Church submitted their request to the City Manager's Office. Mr. Patterson advised members of energy efficiencies that had been instituted at the Church, including window replacements, light bulb replacements, an A/C system (only for sanctuary), etc., explaining that the Church had taken steps to reduce the Church's demand; however, the issue now was relative to the C5 rate classification. He indicated that the Church needed to know if they would be required to spend the $7,000 so that these funds were not spent on other capital improvements and that this was the reason for the immediacy of their request. He advised members that Mr. Ed Mulford, who conducted a five (5) year study of the Church's electrical usage, and Mr. John Littlefield, who had a strong industrial background and a lifetime of experience in engineering, were in attendance and requested that members dialogue with them for a better understanding of the particulars regarding this issue.

Mr. John Littlefield, 90 Watersedge Drive, explained that the main concern with the tariff was the difficulty understanding why a particular meter would affect a rate classification. He stated that the meters, in today's world, measure demand, consumption, etc. and felt that there was no reason to base the rate or classification on the meter or meter type.

Mr. Ed Mulford, 944 Janeka Lane, indicated that, from the Church's perspective, the difficulty was with the reasoning behind those five (5) words in the tariff as they exist, "or have instrument rated metering," which kept them from making the application successfully. He explained that the difficulty was that, although the Church could spend the $5,000 - $7,000 required to have the metering changed and the Church's request would then be a moot point, this would take $5,000-$7,000 away from other mission work that the Church was trying to fulfill. Regarding energy usage, he stated that the Church's records, over the 11 years reviewed, showed that, although air conditioning had been added to areas, overall usage had been decreased. He assured members that it was their intention to continue to take initiatives to reduce energy consumption. Mr. Mulford explained that it was the Church's load profile, which indicated a peak on Sundays, that "punishes"

the Church. He noted that, in accordance with the tariff, a peak demand as short as 15 minutes "punishes" them the other six (6) days of the week; whereas, in most commercial situations, the demand charge is distributed over a five (5) to seven (7) day usage profile.

Mr. Perza suggested that staff review the remarks made and conduct a historic review to determine what action the City had taken in past situations when this had occurred, what impact such a change would have on the City's revenue from these types of classified meters, and how many customers would be impacted by such a change.

Mr. Perza moved to recommend that this matter be referred back to staff to determine, if the requested change were granted, what the impact would be on City revenue, how many customers would be impacted and, historically, how similar changes had been handled in the past, for a report back to the Utility Committee by no later than their meeting scheduled for October 28, 2013. The motion was seconded by Mr. Snaman.

For clarification, Mr. Perza confirmed that staff's determination would be based on a possible amendment to the tariff that would eliminate the phrase "or have instrument rated metering," and would provide information on the impact that this would have on the City in terms of revenue or other unforeseen possibilities (effects on other non-profits, churches, commercial customers, etc.).

Mr. Slavin relayed his disappointment in the manner in which this matter had been handled. He felt that it was poor customer service for staff to require an institution that had been a part of the City for nearly 300 years to wait six (6) months for the matter to be considered by the Committee for their review and recommendation to City Council and then request the Church to wait an additional 30-60 days to allow staff the opportunity to conduct further research. He stated that the Church, in addition to being a good steward to the community, had donated two (2) of their older properties to the State of Delaware and these properties were currently being used as a home for the Children's Theater of Dover and Kent County. Noting that the Church's congregation had given back to the City and had always treated the City well, he felt that the Church deserved to be treated well by the City; therefore, he explained his opposition to the motion.

The motion to recommend that this matter be referred back to staff to determine, if the requested change were granted, based on a possible amendment to the tariff that would eliminate the phrase "or have instrument rated metering," what impact it would have on the City in terms of revenue or other unforeseen possibilities; how many customers would be impacted (including other non-profits, churches, commercial customers, etc.); and, historically, how similar changes had been made in the past, for a report back to the Utility Committee by no later than their meeting scheduled for October 28, 2013 was carried by a roll call vote of three (3) yes (Williams, Perza, and Snaman), one (1) no (Slavin), and one (1) abstention (Blakeman).

In response to the concerns relayed by Mr. Slavin, Mr. Perza indicated appreciation for the contributions made by the Church; however, as a Committee member, he explained the need for the requested information in order to make a decision. Although he felt confident that the City would be receptive to assisting the Church in this matter, he stated that the information was necessary in order to make a decision and help the Church meet their goal.

Mrs. Williams requested that staff also provide information on the specific impact that the elimination of these five (5) words from the tariff ("or have instrument rated metering") would have on the bond covenants.

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

Meeting adjourned at 6:03 p.m.

Beverly C. Williams
Chairwoman

BCW/TM/jg/js/dd
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