

**CITY OF LEWES  
BOARD OF PUBLIC WORKS  
PUBLIC MEETING  
FEBRUARY 1, 2017**

**The Wednesday, February 1, 2017 public meeting of the Lewes Board of Public Works was held at 7:00 P.M. in Lewes City Hall, 114 East Third Street, Lewes Delaware.**

**1. WELCOME, CALL MEETING TO ORDER AND PLEDGE OF ALLEGIANCE**

President Alfred called the meeting to order at 7:00 P.M. and led the Pledge of Allegiance. A moment of silence was observed for our troops serving our country.

**2. ROLL CALL**

Board Members Present:

C. Wendell Alfred  
D. Preston Lee, P.E.  
A. Thomas Owen  
Robert J. Kennedy, III

Board Member Not Present:

Jack Leshner

Ex-Officio Members Present:

Darrin Gordon, General Manager  
Dan McAllister, Legal Counsel

Others Present:

Austin Calaman, Assistant General Manager  
City Councilman Dennis Reardon  
City Councilwoman Bonnie Osler  
Jackie Doherty, Recording Secretary

**3. Presentation on a rate increase in Electric, Water and Wastewater as presented from the Rate Study and Cost of Service Study. INFORMATION/DISCUSSION**

President Alfred stated the meeting tonight is for the citizens of Lewes and rate payers of BPW to have an understanding of the proposed rate increase structure presented to us by our consultant Dawn Lund. Mr. Gordon will make the presentation to explain the rate increase for each utility with your questions to follow. We ask that your comments be limited to three minutes.

Mr. Gordon stated we have been working on the rate study for eight months with the last rate change in 2007 for electric, 2010 for water and wastewater. UFS are highly reputable consultants who have performed thousands of rate studies.

## **Electric Summary**

Mr. Gordon reviewed Ms. Lund's report with explanation and discussion of the following:

- Operating income and target recommended
- Cash balances, projects expenses, future capital improvements, supply costs
- Industrial 8 megawatt battery with an outside contractor for a significant reduction in the cost of power, possibly to begin in April or May without the cost included in report numbers
- Recommendation for revenue-neutral adjustment with increase in the ready-to-serve charge and decrease energy charge in 2017 plus a 1 percent increase in 2020
- Would prefer to wait on the decision for the 1 percent increase in 2020 based on continued yearly reviews

Tim Ritzert, 11 Harborview Road, asked for an explanation about the use of the battery and the cost.

Mr. Gordon stated the use of the battery will help during months when usage is at its peak in very cold or very hot months to lower the cost for BPW to purchase electric. There is no cost for the battery because the company, Alevo, is renting the building on Schley Avenue. We will be paying them 50 percent of our savings amount from use of the battery.

Joe Hoechner, 305 Seagull Drive, questioned the chart showing electric revenue going up and income coming down.

Mr. Gordon stated the cost of capital projects is the reason income is down.

Ms. Osler, 901 Savannah Road, questioned if there have been increases in ready-to-serve charges since 2007 and asked for an explanation of the revenue-neutral adjustment and the 2020 1 percent increase. Also, will the use of natural gas impact business?

Mr. Gordon stated there have been no increases in electric since 2007 and 2010 for water and wastewater rates. The revenue-neutral adjustment is still on the table and the 1 percent is not until 2020. The recommendation from Ms. Lund is to decrease the actual commodity charge from .123804 dollars per kilowatt to .121207 dollars. The increase in the surcharge will help with BPW fixed costs, debt costs and commodity charges. We also need to consider the seasonality issue. There should be no impact on business from the use of natural gas.

Tim Ritzert questioned if it is a concern for BPW and the Board that, according to the census, a larger percentage of the City's population are not full-time residents. He questioned the timing of this meeting being held on February 1<sup>st</sup> when most of the residents of Lewes are not here for the opportunity to be part of the process. The timing of this news is bothersome since we are looking for public input. Also, he still has questions about the electric surcharge increase.

President Alfred spoke on behalf of the Board stating the discussion began last October including advertised meetings. There was never a plan for the meeting to be February 1, nor was there any type of cover-up planned as Mr. Ritzert is suggesting.

Mr. Owen explained the reasons for the surcharge increase and decrease in the commodity charge to answer Mr. Ritzert's question.

Mr. Gordon stated the meeting dates were: September 22, 2016, October 4, 2016, January 18, 2017 and January 25, 2017 with the final report date of January 25, 2017.

Doug Spelman, 121 Samantha Drive, asked for the full-time, seasonal peak customer base numbers.

Mr. Gordon stated it is approximately 60 percent.

Jane Thompson, 412 Kings Highway, asked if there are certain times when Delmarva Power and Light charges more for power. Has BPW encouraged customers to conserve energy at certain times.

Mr. Gordon stated rates are the same morning or evening, but there are capacity and transportation charges with rates based on time. Some industrial and commercial customers have energy-efficiency programs. We have considered sending notices to residential customers listing the best times to conserve.

In answer to Ms. Osler's question if customer charges will be reduced when BPW's costs are reduced by usage of the battery, Mr. Gordon said yes.

Mike Betins, Sussex Drive, asked if LED bulbs are being used for street lighting to reduce costs.

Mr. Gordon said the street lights were changed to LED in the last year.

### **Wastewater**

Mr. Gordon reviewed Ms. Lund's report with explanation and discussion of the following:

- Significant capital improvements including microfiltration plant and the project planned for Savannah Road, Gills Neck and Pilottown Village
- No commodity charge increase for 2017, increase of 2 percent for 2018, none for 2019, increase 2 percent 2020 to be about \$1 more per month
- Wastewater treatment plant debt owed is about \$9 million
- 2010 rate study stated increase of 15 percent for the sewer ready-to-serve rates and consumption charges on June 1, 2011, June 1, 2012 and June 1, 2013; BPW did not start the increases
- The payment of previous bond and debt still owed, fixed costs, and no increase since 2010 has the actual cost of service at \$44.96 with a recommendation to keep customer charge the same

Ms. Osler questioned how much money BPW has in the bank to help pay for the capital projects.

Mr. Gordon stated the money in the bank balance is to stay above the minimum reserve fund and is needed for emergencies. The amount is set at \$8.9 million based on a formula reviewed by the consultant to verify it is accurate and appropriate. The balance in the bank now is \$13 million.

Ms. Osler asked why rates are being increased when there is \$4 million above the set formula amount of the minimum reserve fund.

Mr. Ritzert asked if the accounts are ever commingled.

Mr. Gordon stated the balance amount for the minimum reserve fund is for electric, water and wastewater with a portion to be used for capital improvement costs. The balance needs to be watched carefully so it does not fall below the minimum amount. The accounts are never commingled, if money is borrowed from one account for another, it is always reported.

Jane Carroll, 12 New York Avenue, questioned the amount paid to the consultant.

Mr. Gordon stated the contracted fee amount paid was \$50,000.

Richard Kirschner, 402 Seagull Drive, questioned how the minimum reserve fund accounts are kept separate. Is the investment interest allocated back into each of the funds?

Mr. Gordon stated the fund is separated into sections, as in a pie chart, to be kept for each utility. UBS Investment manages the dollars in several different investments according to policy. The interest earned from investments is allocated back to each fund.

President Alfred stated the infrastructure for the underground utilities needs to be addressed.

Mr. Lee stated the new water plant was paid for from the reserve money without the need to go to the bond market.

Mr. Reardon questioned how the County will be billed for the wastewater treatment.

Mr. Gordon stated there will be an impact fee with master metering. They will not have fixed costs or maintenance costs as with residential customers. Income from the County and savings from the use of the battery will be calculated in revenue later.

### **Water**

Mr. Gordon reviewed Ms. Lund's report with explanation and discussion of the following:

- Recommendation is for residential 5/8 meter to increase surcharge \$1 per month plus a 6 ½ percent increase for the next 5 years for an average of \$1.60 monthly increase
- Irrigation will increase to \$2.70 per 1,000 gallons
- BPW could do a one-time increase of 19.8 percent—but not recommended—it is better to extend it over the 5 years

Jane Thompson asked about the new developments being provided water service, what is the number of new customers. We are all pleased with the services of BPW, but our concerns are financial and the ability to continue to afford the services and to live in Lewes.

Mr. Gordon stated the number will be about 266 and explained the CPCN service areas.

James Zilch, 120 Bay Avenue, asked for the amounts of the ready-to-serve charges after the increases.

Mr. Gordon reviewed the amounts the average customer can expect for their increases in electric, water and wastewater over the next 12 months.

Mr. Kennedy stated these amounts depend on usage and every customer's bill increase will be different. The wastewater projected revenue shortfall over the five years was discussed including the option to have the increase of 2 percent be every year instead of every other year.

Mr. Ritzert asked if electricity is sold in blocks, if not, has it been discussed with the consultant. Also, do the industrial and commercial customers pay the same rate for kilowatt hours as residential.

Mr. Gordon stated the electric has never been sold in blocks because BPW is too small to buy the electricity in blocks. Industrial pays less for kilowatt hours, but they have a demand charge.

**4. CALL TO THE PUBLIC**

None

**5. CALL TO THE PRESS**

Nick Roth of the Cape Gazette was present.

**6. ADJOURNMENT**

President Alfred adjourned the meeting at 8:30 P.M. and announced there will be a meeting tomorrow morning at 9:00 A.M. in Lewes City Hall.

Respectfully submitted,  
Jackie Doherty, Recording Secretary  
Lewes Board of Public Works