

City of Milford



AGENDA

Committee Meeting

October 12, 2011

Milford City Hall
Joseph Ronnie Rogers Council Chamber
201 South Walnut Street
Milford, Delaware 19963

ECONOMIC DEVELOPMENT COMMITTEE

11:00 a.m.

Call to Order-Chairman Garrett L. Grier III

Economic Overview and Strategic Growth Strategies

Adjourn

This agenda shall be subject to change to include additional items including executive sessions or the deletion of items including executive sessions which arise at the time of the public body's meeting.

Economic Development Overview And Strategic Growth Vision

Date: Mid November

Time: 9:00am to 10:30am

Location: City Hall Council Chambers

Presenters: Richard Carmean, DBF, Connie Holland, Key Properties Group, John Rhodes, Garrett Grier, Terry Murphy, others?

Guests: Senator Simpson, Representatives Kenton, Peterman, Delaware State University, Jeff Stone, others?

Agenda

- **Economic Growth Opportunities:** Strategic Plan, Demographics, recent city council accomplishments, etc.
- **City Council Master Plan:** Development of Milford's Master Plan, Integration of State Agencies Support, Foundation for Milford's Future Economic Growth
- **Economic Development Strategy:** Business Incentive Plans/Packages, Community Support, Infrastructure Expansion
- **Innovation Park:** Campus Vision and animated video, Impact Study
- **Closing Remarks:** Presenters and Audience

Action Items

- Select event date
- Create invitations and send out by end of October
- Develop attendees list
- Reserve Council Chambers
- Arrange refreshments, etc.
- Contact John Rhodes
- Other?

Sir:

In response to your request, following are some thoughts on the Economic Development rates for the City of Milford. Basically, the City has two categories of customers – small and large commercial customers (Category 1 Customers) and three industrial customers, namely SeaWatch, Perdue and U.S. Cold Storage (Category 2 Customers). I will discuss the possible incentives for both these categories. First, I should also point out that the City currently has an Economic Development Tariff under which the City can provide discounts to new and/or additional loads. This Economic Development tariff is available to both categories of customers and the City and customers have to negotiate the discounts. The City already discounts the Category 2 Customers' rates. Further thoughts are provided below.

1. In general, the City's current rates subsidize Residential Customers. This subsidy can be reduced to some extent to reduce rates to other customer classes. We are in the process of redesigning rates to reduce the subsidy.
2. The City transfers \$2.5 million per year from its Electric Department to its General Fund. This helps in keeping the property tax rates at a lower level. This subsidy can be reduced or eliminated which will make the City's electric rates more competitive. When customers compare the City's rates with other rates, they compare rates only and not the property taxes.
3. For any new load of 1,000 Kw or more, the City can acquire power from the power market at very attractive rates.
4. As DEMEC has already contracted for a large part of the power requirements for its members including the City, DEMEC may not be willing to allow the City to permit its existing loads to acquire power from alternate power supply sources. However, there may be some alternatives to reduce power cost for the existing loads of its Category 2 Customers. To achieve this objective, we need to meet with DEMEC and have a formal and focused discussion.

If you have any other question, please advise.

Thanks and regards.

Jay Kumar

CITY OF MILFORD
INCENTIVE/ECONOMIC
DEVELOPMENT RATES

The City's current Tariffs, Sheet No. 72, is titled "Economic Development Rate Schedule EDR". This rate is available to Customer Classes MGS, LGS and GSP. This rate is available to a New Customer as well as expansion of existing service (Expansion Customer). The new load must be at least 50 Kw with a minimum of 55% load factor. The discount to Expansion Customers is available to an existing customer with a minimum load of 2,000 Kw. The City's three largest customers meet this criterion. The current Tariffs provide the City the authority to determine or assess the extent of new load for the Expansion Customers and discounts for all EDR customers. For determining the new or additional load for the Expansion Customers, the following of the two methods can be used:

1. Install a new meter for service to new loads; and
2. Establish the monthly Base Line Demand ("BLD") equal to the average of the monthly Demands for the last three years. The load exceeding the BLD by 10 Kw per month will be considered new load. The 10 Kw limit is needed to provide a discount for the Demand resulting from a sudden momentarily spike. The additional load must have a minimum load factor of 55%.

DISCOUNTED RATES

As the energy cost is pass through of the City's purchased power cost, the energy rates will not be discounted. Demand Rates primarily recover the City's fixed costs (increase in Demand results in additional cost to DEMEC which is passed on to the City through DEMEC's power supply costs), and these costs do not increase significantly with new loads. Therefore, Demand Rates can be significantly reduced for new loads. The EDR allows the discounted rates for a minimum period of 5 years. Therefore, the following Demand Rate discounts are proposed:

<u>For</u>	<u>Discount</u>
Year 1	75%
Year 2	70%
Year 3	65%
Year 4	60%
Year 5	50%

In addition to the discounted Demand Rates, the new loads shall be responsible for the cost of any new facility installed by the City. The City will recover this cost in 24 to 36 equal monthly installments. Discounts beyond 5 years can be

provided which the City may consider on a case by case basis. The above discounts are substantial and, to my knowledge, are unprecedented.

The EDR Tariff has conditions which are applied to the Loss or substantial reduction in new loads. These conditions should continue to be applied.

31-06\Incentive Econ Dev Rates