

**Planning & Zoning Commission
Comprehensive Plan
Milton Library – 121 Union St
October 15, 2014 – 6:30 pm**

Transcriptionist: Helene Rodgville

[Minutes are not Verbatim]

Please respect the other people's turn to speak and do not speak over each other. It means that the minutes do not reflect what actually happened. Thank you.

1. Call to order
2. Roll call of members

Don Mazzeo	Present
Ted Kanakos	Present
Lynn Ekelund	Present
Barry Goodinson	Present
Mark Quigley	Present (Arrived at 7:30 p.m.)
Linda Edelen	Absent

3. Additions/Corrections to agenda
4. Approval of agenda
5. Public Hearing:

- a. Review and update of the Town of Milton's Comprehensive Plan. The main topic of this hearing will be a discussion of the Town's Utilities. Discussions on other Comprehensive Plan related elements will be held if time permits.

Barry Goodinson: I just wanted to kind of go over a few things before we start and then we'll get to the meat of things. The goal is pretty straightforward, to learn more about the current status, condition, of the town's water, sewer and natural gas utilities and explore possibilities for the future. Just a little bit of a change in our goal. We just found out that the folks who were supposed to be taking care of the discussion about water, can't join us this evening, so for completely separate and unrelated reasons, we had chosen not to include electricity in this conversation, because we thought that gas, water, sewer, electricity seemed to be a lot, so what we'll do is we'll hold another meeting and we will discuss water at that, and electricity, so we'll focus tonight on gas and wastewater sewerage treatment. I'm including this because I think it's important and I want to say thank you to the folks in Milton. This process has gone really great. We're learning a lot. I think people are learning a lot and I think people are feeling heard and obviously, it's being noticed by folks around, that the Comprehensive Plan process has been a good one and one that people are feeling optimistic about and that's really because the folks showing up and listening and being respectful and sharing their information and asking good questions, so really the success of this so far, and of course the ultimate success will be when the Plan is written and then passed on to the Mayor and Council and then onto the State. But so far I think it has gone great and really it's because of generosity of the people here in town. Having said that, I

know tonight there are some issues that people feel passionately about and I want to make sure that we continue to sort of keep the level of the conversation high, that we continue to ask questions, so just a few gentle guidelines. Be nice. We're all volunteers. We all live together here in this town. We have to be with one another on a daily basis, so let's just continue to do what we've been doing all along in keeping the conversation civil. Stay focused. We've got very specific topics to discuss tonight. We're going to talk about natural gas and we're going to talk about wastewater treatment. Let's focus on those and let's focus on learning and not venting and honestly, whatever has bugged you about any of these topics in the past, the people who maybe were responsible aren't here tonight and we're not going to fix it tonight, so let's just stay calm and stay focused. Think ahead. This is about the future, so let's not re-plow old pastures, let's just focus on what comes next. We're here to set a course, not to settle scores, so let's just stay focused on what happens next. So having said that, let me just outline what we're going to be doing tonight and we can ignore the bottom part. We'll first hear from Dorrie Moore and Shane Breakie from Chesapeake Utilities. They'll talk about the current situation, where they're supplying natural gas here in the Town of Milton and what the possibilities are for possibly extending that and what would go into that, if folks in town wanted to consider having natural gas delivered to homes. Then we'll hear from Jerry Esposito and Bruce Patrick of Tidewater and they'll talk about the wastewater treatment plant and of the current condition, the plans they have, the possibilities for future changes around wastewater treatment and as I said, we'll look at water at another meeting. We'll schedule a separate meeting to discuss water and we'll also discuss electricity at that meeting. Having said that, why don't we ask Dorrie and Shane to please give us the benefit of their wisdom and plans. Thank you.

Shane Breakie, Chesapeake Utilities: I've been with the company for over 20 years. My title is Director of Energy Services. This is Dorrie Moore. She's the Sales Representative for this area. Some of you may have seen her in this area. She's been focusing on eastern Sussex County for the last seven plus years and I'd like to thank the Town of Milton for inviting us here and I really like that you're very first bullet on the first slide was "Be Nice"; it's how all meetings should start. As far as we're concerned, we represent the natural gas utility, Chesapeake Utilities. The company has been around for over 60 years, primarily on the western side of Delaware and the central part of Delmarva going from Middletown down to Salisbury, but over the last five years, or seven years I guess now, we started to expand our efforts into eastern Sussex County, including Milton and now we're over in Lewes and even down into the Ocean City area, so a lot has happened over in the last five years. We got to Dogfish Head, we're thinking four or five years ago, so our gas service to Milton is relatively new. We came up Chestnut Street. I apologize, we have a map here of the Town, but the location of our gas line, probably can't be seen but... does everybody recognize the town, hopefully, and if I point you'll know where that is. But we've come up this way, up Chestnut Street and over to Dogfish Head here, is where we currently provide service. We also have gas down into Heritage Creek and over to the Mariner Middle School, in that area. We're constantly looking for interested parties, if you want to tie into our service, just contact Dorrie Moore. We can leave her contact information. One of the hurdles that we have with the Town of Milton is there is a waterway through the middle and trying to go under or around that, would be costly. There have been some interested parties for natural gas up in the northern area, so we're currently

exploring bringing gas along 16 and then down into the town that way. As we start to expand, as interests develop, we'll expand this way, but then we'll also probably start to bring gas down into this area. We currently have... I don't know how many customer's we might have, probably over 100, residential, including Heritage Creek, this area. We are talking with the school about providing gas to them, which would get us on that part of the town. As soon as they sign up, we'll make that effort and that will help us to get closer to this part of the residential area. The closer we are, the easier it is to get gas to you. We are regulated by the State of Delaware Public Service Commission. We're not allowed to just put gas pipe in and hope customer's will come. The customer's have to sign up for service and pretty much pay for that infrastructure over a set time period. So we are limited, unlike electric, or something like that; we do have limitations as to what we can provide or where we can go. So what we like to do is see if we can get, if there are not large commercial, industrial users in one area, we'll try to get groups of residential people; usually Homeowner's Association, but in this case, there's probably not too many Homeowner's Association, so we'll try to get streets involved and try to get them grouped together and if we can get a good cluster of people that will support that expansion, we'll make that case. With that said, I don't know if you have any questions, but Dorrie is always taking applications. You can also go to our website, chpkgas.com and there is a spot there that you can inquire about gas service and we're always interested.

Ted Kanakos: Question for the distribution through the town. You would put the main pipes and then the people pay for the hook-up, or they have to pay for everything? What part of the infrastructure do you supply that people can hook into if a lot of people are interested?

Shane Breakie: It's both, so if you were requesting gas and if we needed to put a main and a service line, you would pay for all of that infrastructure and usually what happens is, we have a payback period of say six years; so if our margins or profits from you pay for that infrastructure over six years, we'll pay for it. So let's say it costs \$5,000 to get to you and our margins from you over six years are only \$3,000; we would need \$2,000 from you to pay for that difference; or maybe somebody else on that route wants to sign up for gas and if that's the case, then you kind of split those costs and you may only pay half, or even less; if that makes any sense. Does it?

Ted Kanakos: More or less.

Shane Breakie: We're not allowed to just go into a town and just start putting pipe throughout the town, hoping people will pick up. We have to have signed agreements.

Ted Kanakos: What's the price differential between natural gas and propane, on the average?

Shane Breakie: For this area, we could probably provide on an equivalent basis, less than \$2.00 a gallon; so if you're paying more than \$2.00 a gallon for propane, natural gas is equivalent to around \$2.00 a gallon, would you say? \$2.20?

Dorrie Moore: In the expansion areas, about \$1.80.

Shane Breakie: \$1.80?

Dorrie Moore: And in non-expansion areas, less than that. It's probably more like \$1.40.

Barry Goodinson: What does that mean, expansion, non-expansion?

Shane Breakie: As we got into the Lewes area, the cost of putting the infrastructure, much like Milton, was very expensive, so just as I said, if the revenues didn't pay for the capital, the resident would have to pay more up front. In the expansion area, the Public Service

Commission allowed us to charge higher rates and the resident's wanted us to, so they're actually paying more through their bill over that six year time period, so that more infrastructure can go in. This area is not in that higher rate expansion area, at this time.

Ted Kanakos: Heritage Creek, they're receiving natural gas. Will they're bills go down in 5 or 6 years, or was this utility brought in simply for Dogfish Head and they happen to be there? How does that work?

Shane Breakie: No, they've got our lowest. They're in our lowest residential rate classification.

Dorrie Moore: They actually came on long before Dogfish was even considered.

Ted Kanakos: Okay. Now how about the few residence's that are on Chestnut Street. I know there are one or two that have taken advantage of that, a lot of people haven't. Their rates are different than Heritage Creek?

Shane Breakie: No. No.

Ted Kanakos: It's all the same.

Shane Breakie: Yes.

Dorrie Moore: Everything in Milton is the same. It's not part of the expansion area. The expansion area currently starts at Minus Conway Road and goes into Lewes and actually all the way down to Selbyville, so that is the definition of our expansion area, right now.

Shane Breakie: So those people that live on Chestnut Street, the main is already there, so they don't have to pay for that; that's already been paid for by Dogfish Head, so all they would have to help support, is just that service line, tying into the main and it would probably be economical for them to do that. Now, if they're an electric customer, it's not as easy to switch over to natural gas, but if they're propane, it's usually pretty easy.

Dorrie Moore: I think there are about five customer's there. We have WBOC, we have Reed Trucking, there's two hair dresser's that are there and then probably three or four individual homes and then there's another one that's being remodeled and they have an application in for gas.

George: You might already have answered this question, but I missed it. I live in Cannery Village, so if you're already in Dogfish, so what would be the impact to us if we decided to...

Shane Breakie: George, the issue with Cannery Village is they're under an agreement with the propane provider, at this point and we don't have any say until you guys figure out what you're going to do with that propane agreement.

George: It's the developer that's under the agreement.

Shane Breakie: Yes.

George: So, we're stuck. Is that fair?

Shane Breakie: There's nothing we can do.

George: Okay. Got it.

Ted Kanakos: You couldn't buy out their infrastructure and bring it in?

Shane Breakie: If they would be willing.

Ted Kanakos: If they would sell?

Dorrie Moore: And if it was up to code for natural gas, which we don't know.

Shane Breakie: Yes.

Dorrie Moore: They would have to prove to us that it is up to code for natural gas, for us to be able to take it over. They may have installed it so that we can never take it over, because

they wouldn't want to lose that opportunity.

Shane Breakie: That's if we want to use their existing pipeline, not put a new pipe line in. We would have to know that that's been put into natural gas standards. If it's not, we'd have to put in a separate line.

George: Fundamentally, it exists for the duration of the agreement with the developer, which I think goes to 2020.

Shane Breakie: Okay.

George: Thank you.

Shane Breakie: Any other questions? The bad thing is you have to come up here, as this is wireless.

John Oates, Heritage Creek: We're fortunate enough to have natural gas and our bills are a lot lower than a lot of folks. That I know. My question is, how far down Chestnut Street does the main go, at this point?

Dorrie Moore: It's to the north entrance of Dogfish Head. It stops right there.

John Oates: So the folks further east on Chestnut Street, are not able to take advantage yet.

Shane Breakie: Yet, but if we can talk to them and get a group of them that say that they are interested, that they have propane, or something that's easily convertible, we'll be happy to talk to them and see if we can make something work.

John Oates: But there's no main for them to take advantage of, running down Chestnut Street at this point in time?

Shane Breakie: Currently.

Dorrie Moore: And I can tell you that I have done door hanger's with only the person who made the initial request for natural gas, responding to the door hanger's. I've walked both sides of the street all the way down probably to Atlantic, Cave Neck Road there, Atlantic and received only the door hanger from the original person that had made the request to get natural gas. No one else responded. That's part of our dilemma is reaching out to folks; do the people live there; do they rent; what's the best way to reach out to them; is it a mailer; is it a door hanger?

John Oates: I think if you had some information to provide them, in terms of, for example, the people in Heritage Creek what they're paying over the course of a heating season, that would be helpful.

Dorrie Moore: That information is on the door hanger, there's like a two-part door hanger and it says would you like to lower your utility bills? If you were a natural gas customer this is what we anticipate your bill would be vs. propane and oil. That is there. I guess whether they take it in and read it, or...

John Oates: The information that came to me just conversationally, we're talking four digits easily...

Dorrie Moore: Four digits, for?

Shane Breakie: Their energy bills every year?

John Oates: Savings, I'm talking about.

Shane Breakie: Yes, there could be.

Ted Kanakos: Have you gone to Chestnut Crossing, which is right near... it abuts Dogfish Head?

Dorrie Moore: Years ago. Not recently. I had the same issue as Cannery Village agreement... like I said, from memory... same... Oftentimes there's an agreement with a

propane company that limits us being able to get in there.

Ted Kanakos: Another question. If the main pipeline went down Chestnut Street, and you hooked up new hook-ups, according to the standards for natural gas, what would have to be done in the homes? They have to change their heating venting and their stoves and things like this?

Dorrie Moore: It depends on what they have. If they have propane, typically propane appliances are an easy conversion. Water heaters are usually the exception. Some water heaters cannot be converted, they would have to be replaced. Some manufacturer's, even under the same umbrella, a manufacturer for a water heater, one model may be converted, one model may be replaced, so it all depends. We would help you, either get you a contractor that can look at your equipment. We do have a conversion team, within Chesapeake and they could come out and look at your equipment and give you an estimate. Some oil furnaces can be converted, depending on the age you may want to just replace it and upgrade, but usually stoves, dryers are easily converted. Furnaces if they're propane, are easily converted. It's the water heaters that are usually the questionable appliance.

Shane Breakie: And just to let you know, the Town of Berlin, Maryland, used to be on a piped propane system and we purchased the company that was providing them service, Eastern Shore Gas, about two years ago and just this year, we converted that entire town over to natural gas. We went in there and supported probably about 500 residential conversion's and we're on our way to Ocean City. Ocean City is currently provided by a piped propane system and Ocean Pines and we're planning on doing probably between 1,000 and 2,000 conversions a year.

Ted Kanakos: Do you find a lot of the areas that you seek to expand in, you had mentioned the difference between natural gas and propane, the infrastructure, like at Cannery Village, which might not meet the standards? Are most of the standards met, though; to go into Berlin for 500 and take over propane, what did you have to replace? Just bring a pipe in and hook it up to the propane system?

Shane Breakie: We just had to bring a natural gas pipeline from Selbyville down into Berlin, but...

Ted Kanakos: But their infrastructure was fine?

Shane Breakie: Then we tied into their infrastructure, their underground infrastructure and then we're supporting each of the residential homeowner's with the conversion of all their internal appliances.

Ted Kanakos: So you bought the propane company and their infrastructure? You bought them out?

Shane Breakie: Yes.

Ted Kanakos: Could you do that with Cannery Village?

Shane Breakie: It's all up to the propane provider.

Ted Kanakos: Okay.

Dorrie Moore: I have spoken with the developer in Cannery Village, I don't believe he's interested in severing that agreement at this time, but I have had probably 5 or 6 homeowner's reach out to me over the years and just express an interest. I know there have been issues in there about running out and the high bills, but...

Ted Kanakos: Everyone I speak to wishes they had natural gas.

Dorrie Moore: I agree.

Ted Kanakos: Well they come from cities, big cities, where they have it and they're just used to it with cooking.

Shane Breakie: And we are right next door and some of the houses that we have gas mains, pretty much in their backyard; some of the ones right on the corner there.

Jeff Dailey, 211 Grist Mill Drive: I live in Cannery Village neighborhood, but the propane is working anyhow, so we're thankful for that. My question may not have an answer. When we last did a Comprehensive Plan, natural gas was coming down Route 30, Gravel Hill Road and we saw all the signs and that was great. We're doing a Comprehensive Plan and I'm thinking, since we have natural gas and it's at so many doorsteps, how does that enhance property values? Should we be weighing the fact that natural gas is here and looking at how this is going to impact large land parcels that are in our growth map and I'm just curious, what kind of industries might come to Milton, or why having natural gas in Milton would make Milton attractive to industries and what kind of industries would thrive because there was your product at their disposal? If you could shed any light on that, because we're not just our boundaries today, we're going to grow and we may be annexing in property. I'd like to know how Planning and Zoning, as a body, can look at... I think I've made my point.

Shane Breakie: I can say, dealing with economic development, there probably hasn't been a lot of economic development potential out there; but I know when a lot of proposals have come in that we've seen a lot of the requirements are that natural gas is available and I know for a fact that in Middletown, Delaware, a Johnson Controls facility was built, as well as an Amazon facility up there and one of the first things that they checked for, was is natural gas available? So they built the Amazon Center, 1,000,000 square foot facility, probably two years ago and the Johnson Controls Industrial Facility is right next to it, it was probably four years ago and a lot of the reason was because natural gas was available.

Ted Kanakos: Have you looked at our map, our expansion area when you look at this area for expansion, do you know what our expansion area is?

Shane Breakie: Do you have like a commercial/industrial...

Ted Kanakos: Well, no, we have a expansion area. This is what the Comprehensive Plan is about, what is about two miles out around our town. Now you already have, I know the pipeline up at 30 and 16; so you're already into our expansion area, it's just virgin land, there are no developments and no industry, so that would be a good deal.

Shane Breakie: So we are currently looking at bringing the distribution of natural gas this way, into the town. I think there is some proposed growth in this area, or some inquiries have been made. So, yes, we would very much support getting gas here. There has been a lot of inquiries, as developments down Cave Neck Road, down that way and there's been some interest down there, so eventually we'd like to see if we can get gas...

Ted Kanakos: Do you go down Cave Neck Road at all?

Shane Breakie: No, not currently.

Ted Kanakos: No. How do you get into Dogfish Head, through 5?

Dorrie Moore: No, they come up Chestnut Street and go into their facility on the north side of that north driveway entrance.

Shane Breakie: I don't know what this road is called right here.

Dorrie Moore: Shingle Point.

Ted Kanakos: So you come down Shingle Point?

Shane Breakie: Yes.

Dorrie Moore: It's fed from the south.

Ted Kanakos: So any developer that wants to be annexed in in whatever development, it would be reasonable for them to call you.

Dorrie Moore: Oh, absolutely.

Shane Breakie: Oh, definitely.

Dorrie Moore: And I will tell you that I get calls all the time from real estate agents that only want to look at communities that have natural gas, because as you said, the people are moving from cities where natural gas is the number one heating source, Baltimore, Washington, New York, New Jersey, Pennsylvania, so that is definitely a... I don't know, I can't tell you if it adds X amount of value to a resale, but it definitely has a value to a perspective new homeowner. As far as the commercial, as Shane said, the two companies in Middletown, when we get inquiries the Aqua one, he was adamant... they were adamant, it had to be on natural gas and he was looking out in a lot of rural areas, because it was an agricultural application, but he had to have natural gas. It is always, if it's not number one, it's high priority for any industry and most residential.

Don Mazzeo: From the time a group of individual homeowner's would contact you and say we are interested in expanding the gas main, perhaps all the way down Chestnut Street, what would your timeline be for them to physically have that capability to connect?

Dorrie Moore: Less than six months. It depends. We have to do the economic analysis, basically as Shane said, we have a six year rate of returns model, to go from Point A to Point B, what is the construction cost and how is it offset by the consumption of the new customer's? Whether it be an individual, two, ten, twelve? Is there a restaurant? Whatever. We could package them altogether, but it's basically that is our economics. To go from Point A to Point B, offset by whatever margin we make off the potential customer's. Once we do that analysis and that usually can be accomplished, in hopefully a 30-45 day period; because we have to basically get our engineering folks to design that; decide which side of the street; usually we go where there are the least amount of obstacles; so less driveways to cross; waterways. As Shane said, there's water all around town. So what are the obstacles? What are going to keep the costs down, so it's not as high? And then, how many customer's? What's the volume of those customer's? Once we get that back, it goes through our rates department. Our rates department reviews that and says, yes it meets; it doesn't meet, this is the shortfall. Customer's can pay the shortfall, if they want, or we can try to get more customer's to add more volume, to offset that construction cost.

Ted Kanakos: As more customer's come online, does everyone's rate go down?

Dorrie Moore: No.

Ted Kanakos: But the people that come on line get the benefit of the initial costs to the initial hook ups?

Dorrie Moore: Unless there's more costs to bring it... The further you go, there may be more costs. If you did it for seven houses and then all of a sudden eight, nine and ten want to come on, we have to do the six year rate of returns model, again, to see if eight, nine and ten... because if we've already approved up to seven, and they've come on and the pipe is there, then we have to review for eight, nine and ten.

Ted Kanakos: They would get a cheaper rate?

Dorrie Moore: No. Our rates are the same, no matter what, unless there would be a shortfall

and then somebody pays. Oftentimes we do a negotiated rate, with a commercial entity; so for instance, in Millsboro when we ran out 24 to get to Mountaire. Mountaire wanted gas. It didn't meet the economics on their own volume, so there was a shortfall; so basically they paid the shortfall through a negotiated rate, so they got a higher rate, for a set term, once they met the volumetric commitment, that term went away and then their rate was lowered, but typically that's usually the only time a rate might change.

Shane Breakie: So the one thing we do, I guess, since we have you here; so Chestnut Street is pretty tight, so we were able to squeeze some pipe in there. It's a lot easier if there's right-of-way, so if we ever want to get gas into the older part of town, I guess we might need to talk to somebody within Planning, or hopefully maybe identify some utility right-of-way downtown that we could easily access. Because right now, I think we might be under some roads, so if anybody wants to get gas, we might have to tear up the road a little bit to tie into our gas line; we don't really want to do that if there's... so one thing to think about is just planning for utility right-of-way when you're going forward.

Dorrie Moore: Because if we have to tear up the road, that restoration cost has to go into the six year rate of returns model. If we have to go underneath the sidewalk, dig up the sidewalk, then put in new sidewalk, again; that all has to be incorporated in, so that adds to the cost of the expansion.

Ted Kanakos: You would do that installation? You have approved people, because when you hook up to certain things, you can hire different plumbers or whatever to do this work; but it has to be your people?

Dorrie Moore: We're responsible for up to and including the meter and the meter will be at the business or the house, so we're responsible. Anything internal, you can bring in your own contractor, or you can work with us to do the Chesapeake conversion team and have them do the conversion for you.

Barry Goodinson: Our sidewalk's already dug up and we might be able to save a few bucks. I have a question about the expansion area vs. the non-expansion area and the expansion area is determined by the Public Service Commission? Is that correct?

Dorrie Moore: Public Service Commission. It was identified... We went in for a rate filing June of 2012. It was approved in November of 2013; went into effect December 1st of 2013 and it is identified as the expansion area starting at our... We have a station right there in the Reserve of Lewes Crossing, right in front of their development; it starts there, heads into Lewes and goes all the way sort of wraps around to Selbyville.

Barry Goodinson: And what does that mean? What does that... What provisions does that grant, or what goodies to you get if you're a...

Shane Breakie: All it does is it \$13 a month, is the extra...

Dorrie Moore: \$18.75. \$225 a year.

Shane Breakie: So those people in that area are paying an extra \$18.75 a month and what that does is it allows us to go further with the gas line and get more customer's and they don't have to pay as much and in most cases, they don't have to pay anything at all, to get gas hooked up. They're paying an extra \$225 a year.

Dorrie Moore: Basically, that was designed so that when we went into a community, if there was a shortfall, if it didn't meet the economics, sometimes the community, each home, was going to pay \$2,000; so instead of having that homeowner need to come up with \$2,000 out of pocket, to make up the shortfall, we went to the Public Service Commission

and said, can we have an area where everyone basically subsidizes the cost of bringing the natural gas into that community, so it worked out to be \$225 a year, split up into 12 months and basically everyone is paying for the infrastructure and sharing the cost of that infrastructure.

Barry Goodinson: For what duration?

Dorrie Moore: Well that's going to be determined by the Public Service Commission. I mean, they will basically review annually and when we make our return, it should go away.

Ted Kanakos: It's also based on your volume, right, that you're putting out?

Dorrie Moore: And the more customer's we gain, it could go away sooner.

Shane Breakie: But even with that extra \$225 a year, they're still paying less, I think in all cases, than they would if they were paying for propane.

Ted Kanakos: And the value of the house probably goes up too. You get a...

Barry Goodinson: And what's the process to get that started?

Shane Breakie: The expansion rate?

Barry Goodinson: Yes.

Shane Breakie: I mean, if that's something the town would like us to look into, we could definitely seek approval from the Public Service Commission, to see if we can offer it in this area. The ones that are there already would be grandfathered in, but any new ones that require main extensions... We can ask that. We would probably need an email from you requesting us to look into that and I can take it to our Regulatory Department.

Jim Welu, 30263 East Mill Run: My question is you have a pipe running up Chestnut Street. What is the size of that pipe and what is the capacity that pipe can provide? I don't know how many homes are in that area, but let's say there's 300. Can it supply 300 homes, in addition to what you're supplying now, or is there some limit on what the capacity of your pipe is?

Shane Breakie: There's definitely a limit and Dogfish Head is growing, but...

Jim Welu: That's the other question I was going to have. What if they expand even more?

Shane Breakie: I don't think I have any concerns at this point. What we'd like to do is if worse comes to worse, we'll come in from that north area... If we can get enough residential customer's to keep expanding east on Chestnut Street, and if there's a need, which we would love, then all of a sudden we're getting low on capacity; we would be happy to bring a pipe in from the north end and tie it in so that you have two feeds and then you're looped and then it's all good. I don't think we're close to capacity.

Jim Welu: I suspect you're not close now, I just didn't know what's the maximum expansion?

Shane Breakie: I think we have a 6" pipe in there; maybe an 8".

Dorrie Moore: It's a 6".

Shane Breakie: 6" and we haven't had any issues, or even close to any issues at this point.

Jim Welu: Which your engineer's must say how many homes you can provide off of that.

Shane Breakie: I'm not an engineer, but that is a good question. It is something that we're looking at in eastern Sussex County. It's kind of a fun thing too, where you just don't want one line that goes straight out, because that person at the end, the pressure goes down, so then you've got to figure out how you can loop it and reinforce it and find alternates.

Jim Welu: Okay, thank you.

Jeff Dailey: Jim's questions always engender a question from me. What kind of

infrastructure is there, when you're at capacity with a line? Is there some kind of pumping facility? I mean, we see huge electrical grids, you know to boost the power and this kind of thing. So do we need to plan on a facility on Chestnut Street for expansion?

Shane Breakie: No, I don't think Chestnut Street you have to... We went 11 miles from the station here to get to Lewes, I forget what road that is. We've gone 11 miles to get gas into Lewes; that size pipe is probably 10" maybe and we're planning on thousands and thousands of customer's. We've got Beebe Hospital, we've got SPI Pharma, we've got large... I'm not too worried about the size pipe here running out of capacity. One of the neat things that we do have in our industry now, kinda neat, is you can compress natural gas. I drive a compressed natural gas truck. My car runs off natural gas and you can compress natural gas... Like in your street, your gas is running at like 50 psi. The compressed gas in my truck is at 3,600 psi, but I'm not paying diesel rates; I'm getting \$1 a gallon, or whatever it is, but anyway, you can get those same tanks with compressed natural gas and tie them into your system to kind of reinforce them if you need, so at the very end of the system, you have a pressure problem, you can get one of these tanks... there are bigger tanks, like something you might see with a propane company, that you could actually tie into the back of a system to help reinforce it. It's a temporary solution. You'd need it on the coldest day of the year, sort of thing, but there's newer technologies out there that... So if the Town of Milton is interested in natural gas vehicles, you'll need a compressed natural gas fueling station, that would only help with the reinforcement of your system in the future.

Dorrie Moore: I guess the only thing I'll add, in that 6" line, as Shane said, street pressure right now is probably 50 psi; but it's most likely tested to 120 and it pressure can be increased if we need more volume for more customer's, but again, it's nowhere near maxed out. It's on the lower end of the capacity that it can provide.

Ginny Weeks: I was just curious. You say that you've run the pipe down 30 to 16. I live on the north end of town. To run it up to either Mulberry or Union Street, are you going to wait until there's more development on 16 or are you willing... Who pays for all that infrastructure, because there's not so much development there right now?

Shane Breakie: I don't know how far it's gone, but there's some people that have proposed putting residential developments along that area and if one of those developments said that they were dedicated to natural gas, it would probably significantly help support putting that infrastructure in.

Ginny Weeks: So the people on the north end, really until 16 is occupied more, can't really look forward to...

Shane Breakie: We haven't really talked to the commercial... I don't know what the commercial/industrial load is on...

Dorrie Moore: The only commercial that I've talked to is the Food Lion complex with the laundromat. I know the laundromat, he's been asking me for gas for years.

Ginny Weeks: No, it's very small and there's no large... so the people on the north end shouldn't be holding their breath. Right?

Dorrie Moore: I think what will help is the H. O. Brittingham, the school. They have been asking for gas for awhile. There's a proposed development, I think 92 units across the street that's proposed, some ____ units. If there's a new school built there, that is all going to definitely help and that will fuel us being able to get there, but I know I did the shopping center, I think there's an Ace there. They were not interested. One of our biggest and I don't

want to offend anyone, one of our biggest obstacles is the relationship that the folks have with the propane companies, that's very hard for us to crack into and that was the case with Ace. They were remodeling that Ace Hardware and that whole shopping center and I could not get anywhere with the developer on getting in there, so he's happy with propane and...

Ginny Weeks: There is water all over the town. Little waterways and you never go under those?

Dorrie Moore: Yes.

Shane Breakie: Sure we do. Oh yes.

Ginny Weeks: You do? I mean like if you wanted to bring it down Chestnut Street, you could actually go under the bridge in town, rather than having to wait for it to come down 16?

Dorrie Moore: Absolutely.

Ginny Weeks: And then go over to the north side.

Shane Breakie: Have you ever been through the Town of Millsboro, on 24? There's a pretty large waterway there. We had, I don't know how many feet of pipe we had to put under that waterway, let's say it was a quarter mile, so they literally melted the pipe together, floated it on the water and then had to take it up and draw it back...

Ginny Weeks: So you would be willing to do that to the north, if 16 was going to be awhile. If we came in with a bunch of houses tomorrow, off of Union Street, or something?

Dorrie Moore: Oh yes, but I mean it's going to need to be a lot of houses and typically, and this is probably not an accurate analysis, but when I started, or maybe even seven years ago, for us to go a mile, we'd need 100 houses and now, I think construction costs have gone up, so it may even be more than 100 houses, but just visualize it that way. To go a mile is going to be maybe 100-150 houses, or the equivalent. If you've got a restaurant that's the equivalent of 10 houses, or something; but it's really going to take a lot to get there. I mean, we've definitely looked at it.

Ginny Weeks: Thank you.

Dorrie Moore: If we come from the south side towards the school and that new development across the street, we're close.

Ginny Weeks: Which development?

Dorrie Moore: It's a proposed one across from H. O. Brittingham.

Ted Kanakos: Right behind your house, Ginny.

Ginny Weeks: Oh, has Mr. Draper been speaking to you? Thank you.

Dorrie Moore: Yes, Mr. Draper has been speaking to us.

Ginny Weeks: That's not going to happen.

Ted Kanakos: And you're on record.

Jeff Dailey: I think, just for fun, we should put in our Comprehensive Plan that we're going to have a compressed natural gas facility for our future cars, so I can pay \$1 a gallon equivalency and also Tesla, you know, you'll be driving your Tesla, so we'll need one of those electric stations, right? The other question is, if this mega mall should come into being, you won't need to get a nod from Milton as to whether or not you put a line down 16, will you?

Dorrie Moore: I have met with them. It's been a number of years, probably five or so. They are definitely interested, they wanted gas there. We still have to run the economics. I'm not sure that that would generate enough volume on it's own, but packaged together with some

other things along the way, it's a very good possibility.

Jeff Dailey: Thank you very much.

Shane Breakie: One thing I'd like to say before we go, that we're proud of, so over the last five years as we've entered into eastern Sussex County, a lot of the reason we got pulled into this area, was the residential growth had slowed down due to the recession, but the poultry industry was really in need of finding cheaper energy and so the Mountaire's and those facilities helped provide support for bringing this facility, the natural gas infrastructure into this area. Probably the last five or seven years, we've displaced probably about 7 million gallons of oil every year, that those industries were using. So between the poultry industry, the asphalt plants, the schools, the Stokely Center, pretty much number two oil, large users, are gone from Sussex County, at least eastern Sussex County. Number six oil has pretty much been replaced by natural gas, so the emissions have gone down dramatically, probably 20-30% on the CO2 side, on the sulfur side; they've gone down 100%, so we're proud to say that the air is getting better when we're replacing natural gas from those dirty old fields.

Ted Kanakos: Is natural gas more efficient than oil? Do you get better efficiency out of your furnace?

Shane Breakie: It's still the same efficiency, I would say, but it's a lot cleaner. As far as maintenance goes, your maintenance bills go down dramatically, so not only are you saving on your energy bills, but your maintenance bills go down significantly and there's a BTU ratio; you get more BTU per unit of oil vs. natural gas, but anyone that's using number two oil, we can pretty much go in there and say we'll cut your bills by over 50%. So for the poultry industry, that's spending \$2-3 million per year, that was significant and that helped to bring the infrastructure down into this area. Any other questions? One more. Hopefully we'll leave time for...

Ted Kanakos: We'll be here until midnight if we have to.

John Collier, Coulter Street: For the purposes of this commission, are you able to provide them with a map that shows the existing infrastructure as it exists today, so that as they move forward to identify their growth area, they can take that into consideration, as to what they want to identify and what's available, because it's a domino affect? If you identify this area as having natural gas available on the edge of Milton, and somebody picks up on that fact, then you get the infrastructure closer to the existing town by making that identification.

Shane Breakie: Yes, so we can leave this map. It's not easy to see our piping infrastructure, but it is on there.

Dorrie Moore: We'll leave this map. The blue. The only thing this will not show and one thing we haven't really mentioned, Route 30 is high pressure transmission line; it basically came from Milford and it goes all the way down to Selbyville and it's high pressure transmission, typically you cannot tie into the high pressure transmission, unless you have a city gate. There is what we call a city gate, or an M&R Station (Meter and Regulator Station) at the intersection, right where it says natural gas is here. That's where we would start distribution, so this is probably the best map that's going to show you where we are, but just bear in mind, that's high pressure transmission; if there's enough volume, we can put another city gate, but there has to be enough volume that basically pays for that station to be built. I think the next station is down on Shingle Point Road, south of 30, where you

turn to cut over to 9 and it's on the left and that's where we start, from that point and head into Lewes; we feed Allen's and Lewes...

Ted Kanakos: That's the development Pembroke? They don't have it and they're right across from your city gate.

Shane Breakie: Yes.

Dorrie Moore: Yes. And they call all the time asking if they can get it and again, it's a developer with an agreement with a propane company. That goes back to when we started this process and obtained the franchise agreement.

Barry Goodinson: What's the difference between the emissions of natural gas and propane? Is there?

Shane Breakie: Probably, as far as carbon goes?

Barry Goodinson: Yes.

Shane Breakie: CO₂ is probably like 5-10% cleaner than propane. It's pretty similar to propane. It's a lot more dramatic when compared to oil, but it is cleaner than... It's the cleanest fossil fuel out there.

Dorrie Moore: I think they say, we have one carbon atom and propane has two, or something.

Ted Kanakos: And it burns at a lower heat than propane? Natural gas burns hotter?

Dorrie Moore: Higher. Propane's lower.

Ted Kanakos: I thought it was the opposite. Okay.

Dorrie Moore: Propane is 91,000 something and natural gas is 103,500 and fuel oil is 144,000.

Shane Breakie: I'll go with what she says on that one.

Barry Goodinson: Any other questions? Well thank you so much. We really appreciate it. This was very helpful. Just for the record, Mark Quigley just arrived. Thank you. Now we have a change of topic to discuss wastewater sewerage. Jerry Esposito is the President of Tidewater Environmental Services and Bruce Patrick is the Vice President and General Manager, so come on up and tell us what's happening and what might happen.

Jerry Esposito, President, Tidewater Environmental Services: Thank you, Barry and thank you for having us tonight. Thanks to all of you in the audience. We always appreciate your interest in this great topic. Like the Chesapeake folks, not going to spend a lot of time on the history, but I thought it would be good, just to give a little perspective, many of you in the audience know how we got here, but the reason I wanted to just take a couple of minutes and talk about the history is because what we are going to do in the future, comes from the historical process that got us here. So back in July of 2007, we acquired the wastewater plant and the infrastructure to the sewer lines and everything. These charts here show what the treatment plant itself, what it looked like then and what it looks like now and you guys can inspect it later. Over the first couple of years we spent upwards of a couple of million dollars, about \$2 million, mostly on the transmission and collection system in the town. Many of you remember how manholes used to overflow, there was a lot of grease in some of our sewer lines, things backed up; there are still some bricks and clays in manholes, so we had a lot of work to do to try to get the system itself a little tighter, so that we wouldn't be treating stormwater, instead of wastewater. That's always a process. At the same time, we did make some improvements to the plant itself. One of the first things that was fairly expensive at the time... Imagine a big rotating drum with a lot of

disks on it, that's what's in those four cylinders. One of them, when we acquired it, we found out that the axle and the bearings in the axle, were not functioning, so we had to literally go in there with a crane, pull it out, put in a new axle, new bearings. Those things all, obviously, cost a little bit of money and after a certain period of time, we got it to a standard where it's now meeting its permit limits. A lot of other things that were done inside the plant, but mostly it was a lot of housekeeping and a lot of attention to our operator's who spend quite a bit of time there. When we acquired it the plant was marginally in compliance. There were some months when it was out. They actually were on a list that both EPA and DNREC for having some violations and we're happy to say over the last six or seven years there's only been a couple of months where one or two of the parameters have been just on the edge of being out of compliance, so the plant's in very good shape for meeting compliance. It's not in the best of shape for meeting new permit limits. That's the history that I need to talk to you about, going forward. As with every stream discharge in the State of Delaware and there's about 45, or so, wastewater treatment plants that still discharge to streams, Milton's being one of them; every five years the permit gets renewed and typically every five years, the permit limits get more stringent. That's what happened in Milton. So, just as an example, there are 1,2,3,4,5 different parameters that will trigger newer, lower (meaning more stringent) standards next May, 2015 for... I'll just rattle them off and we can talk about them if you want, but just to let you know what they are: BOD, biological oxygen demand; total suspended solids; total nitrogen; total phosphorous and the nitrogen is both daily and a moving 12-month cumulative average; so it's a fairly stringent permit. To meet that permit, on a consistent basis, we need to make improvements to the plant and those improvements, if we stay at the existing plant, we've estimated could cost anywhere from \$1.5 to \$2 plus million dollars to do. As many of you in this room know, any improvement that we make, that costs money, translates to higher user fees for the town and not something I certainly want to go through again for lots of reasons. As we identified this phenomenon to the Town about 1-1/2 years ago, we came into several meetings and discussions, including several open meetings in this room, where it was very clear that the town leaders, as well as the town residents, not just preferred; but almost demanded that we look at alternatives so that we wouldn't stay at the existing plant and "get off the river". The original plan, as many of you remember was to build a new treatment plant, at a different site, that had an annexation agreement that required the developer at the time, we're talking about the property on Sam Lucas Road that was and is owned by Key Ventures, that they would, as part of their agreement, they would dedicate 20 acres to the Town, 18 of which we would acquire in this arrangement that we had for the new treatment plant. That was contingent upon the mass of developments that were supposed to come into the Town. That was supposed to pay it's way, the way it was going to work. A lot of history there, but obviously the development didn't occur. We didn't get that critical mass, so the option that is the least expensive option for us to maintain compliance with this permit, is to add a treatment process to the existing treatment plant at the site, that would basically allow us to treat at a very high level, about 100,000 gallons per day of wastewater that we could then blend with the existing treatment plant, such that at the permit compliance location, which is the end of the pipe out in the Broadkill River, we will meet the permit limits. So I'm trying to do this in layman's language. You've got basically two treatment plants, one old, one new, our operators have

to run two different treatment plants and at the end of the pipe, where they come together, that's where the State has required us to meet the permit limits so that the Broadkill River can see these nitrogen limits and phosphorous limits and BOD limits that the environment will achieve, so I hope I'm explaining that in a way that you could understand. When we were clearly asked... maybe more than asked, to look at alternatives, we did. So we looked at what it would cost to build a plant at the Sam Lucas Road property and we looked at a different, and a brand new state of the art technology, just by the nature of the fact that it's a mile and a half or two miles away; we all know where we're talking about. The cost of the new plant and the cost of a transmission to get the raw waste to the plant, and then once it's treated to take the sewerage that's treated to new standards and bring it back to the pipe that discharges, because the pipe location will not change; added at least twice, if not two and a half times the cost to the plant. We've shared some of those estimates with the Town Council members, with the Mayor and some other folks, consultants and others with the Town. Our plan is, after talking to a lot of people including the State of Delaware, both the regulatory and the financing agencies, and Federal financing agencies; our plan was to try to figure out a way with private and public funding, that we could get to that treatment level at the new plant, without having any additional impact on the user's than what would have been required if we built the upgraded plant on the site. That's our goal and we have had discussions and it's conceivable that that could happen; a lot depends on whether the Sam Lucas Road property is still available to us. The good news is that the existing owner's are still willing to "donate the land to us". We don't need the 18 acres that we talked about. We only need somewhere between 5 and 10 acres that is in play in terms of the "negotiations" that are going on. All that said, let's go back to the fundamentals. We have to meet this permit limit, consistently. Even if we started construction today, May 2015 is right around the corner. Our permit will be in effect in May, 2015. We think we can meet those permit limits fairly consistently, but not on a long term basis. So we have to do something and our internal goal is by the first of the year we have to make a decision, whether we want to do what is probably the best thing for the future of this town, which is to build this new plant off-site, or because it's so complicated, so expensive to do what we have to do to maintain compliance with the new permit limits and that would be to upgrade the plant, at the existing site, adding about 100,000 gallons of capacity with the new treatment processes, as I've described. If, one of the ways we think it can be achieved, is because there is interest both in town and outside of town from commercial projects, including the shopping center that you've all heard about and read about and others, both in town and thinking of coming in town, that if there is capacity and right now would be the time to find out that capacity, they would pay up front for that capacity, that would reduce the financing charges required and all of us would benefit, because just like you heard from Chesapeake, there's a critical mass that makes it more efficient, the more users you have. So we're talking to private and public, meaning State and Federal agencies, who could help fund this. The reason that possibly the State, maybe not the Federal agencies could help us in supporting the user fees, is although they can't give us, as a private company, a grant; there is a way that they could possibly subsidize user fees, if it's directed solely to the customer's, not to Tidewater and those are the discussions that we're having and there's a great interest in the State; just so you understand, the interest at meetings that we've had, with the Town, Secretary Small has personally been involved, so he's very, very familiar

with what we're trying to do here. So in your Comprehensive Plan, when Hal Godwin interviewed me a couple of months ago and said can you write a chapter, I said happy to write a chapter. The longer out the deadline there is, the more definitive I can be in what our plan is. But we, as a company, have to make a decision very soon, probably by the first of the year and that decision will be in your plan, because that's the future. That is as much as I can tell you, because the rest, it's not that I'm hiding anything, I just don't know what we're going to do. We're trying to assemble a whole bunch of actor's in one place, in funding and keeping user fees low is what's driving it right now. So, Bruce, did I mess anything?

Bruce Patrick: No.

Ted Kanakos: Question. It appears you're on the horns of a dilemma. They keep changing the standards for discharge and, which of course, calls for upgrades to the plan. If there was no change whatsoever in the population of Milton, you would still have to increase the quality of the effluent going into the river. Now the question I have, how much more can you do in this little location, if a place like Overbrook Center came on, large developments, things like this? Is it just constantly cramming technology into this small little treatment plant and hoping to be able to handle the area? I was also a bit confused and over the last few years I was under the impression that sooner or later we had an agreement that if certain things happened, you know, you do have the capacity to expand that plant, I think, by 50%? What happens once you reach that limit and were we ever supposed to get the plant back? I thought we were supposed to get that land back, someday, based on a scenario of you going out towards Sam Lucas Road and things like this? I was not aware that no matter where you go, in the area, you're going to use that plant to pump water into the river. Now is that the only option you have?

Jerry Esposito: You have like seven questions in there.

Ted Kanakos: It's been year's of confusion and I'm really glad you're here to get this down, it's identifying a few of the things, not just pictures; but where are we with this plant?

Jerry Esposito: Okay, let me do some and Bruce is going to answer some. Let's go to the last one first. The plan was always to keep the discharge in the river, because it's the most cost effective option. We looked at land application, we looked at everything that everybody else has. As I said, there's only about 45 of these discharge permits left, because it was a "grandfathered plant", we saw that as a valuable asset that the town has. If you let it go, you'll never get that discharge permit back. We never owned the land. We don't own the land now. We own the plant. It's on an easement that the town has granted to us and therefore, understandably, you want that land back so you can do something else, with a park or whatever it is. We get that. We understand it. We'd rather be off the river. One other statement that you made, I want to make sure that you're clear on, we knew that there would be tighter standards six year's ago. The Broadkill River was one of the 20 some watersheds in the state that the state did what's called a total maximum daily load assessment, to see what the river could handle. It was the Broadkill's turn, about six or seven year's ago. We anticipated having to go to more stringent standards. They were not unreasonable standards. In fact, these standards are less stringent than if we built this plant and put it into the inland base; it would be more stringent even then. We don't anticipate after this five year permit that it will be tightened again, because they're on a 20-some year cycle at DNREC. So we're confident that if we do this, do this right, and we meet almost at

the technology limit of standards, it should last for quite a long time, but we still use that discharge permit. Bruce, can you talk about the existing capacity and what we have?

Bruce Patrick: Yes, the first question was will the existing resident's still have to do something and the answer is yes. I think we were here back in April discussing that. We're walking a fine line right now, the old plant that's there was not designed for nutrient removal. Two of the things that will take effect in May are nutrients, nitrogen and phosphorous. We have a daily loading limit for both of those. It's not designed for that. It's still closely meeting that, even with the existing resident's, but there's not a whole lot of room. I think Jerry mentioned that we had a couple of blips. The BOD has been exceeded a couple of times over the last several years, so that, as well as we're walking a fine line; what we've done is we're using additional polymer. We're trying to operate it as efficiently as we can. That's really kind of helped settle things out, so we are meeting our permit right now. I feel good that we're going to be able to meet it in the short term, but even without any additional growth in the long term, we certainly need to do something to have a comfort factor, that we're going to meet that consistently. I think the second question was how much can we get out of the existing site, with things crammed in there? The good news, a lot of the new technologies... we looked at what's called an MBR, a Membrane Bio-Reactor. The best way to think of it is really a fine screen. The wastewater gets filtered really fine. We have a couple of those already, at other facilities and they're relatively compact. The approximate size of the tankage, I would call it, roughly you're looking at 18' or 20' wide X 55' or 60' long; so they're not real big. We actually laid it out, kind of the footprint would be kind of in front of the existing control building, off to the left. Actually up in this area, it would fit in. Essentially real nicely. The capacity that that would add, 100,000 gallons per day, based on the existing average flow from an EDU that we're taking in; that's going to add about 700 units worth of capacity. To kind of help translate how long will that get us through? That would probably, at the current growth rate... The Town of Milton is growing at about 40 to 45 homes per year on average, the last several years, so that would take us another 10, 12, maybe even 14 years at that growth rate. Certainly if the growth rate changed, that would change, as well. When we took over in Milton, there were 1,144 customer's. Right now, we're just under 1,400, so it's about 40, 45 per year.

Ted Kanakos: What happens if the shopping center comes on? That's the equivalent of how many houses?

Bruce Patrick: What Jerry had said, when he mentioned that earlier, if a large commercial entity comes on like that, they would actually pay for all of the upgrades needed for them and actually there would be benefit to the town, because again Chesapeake Utilities said it, the more customer's you have... you've got to have a certain amount to make things economical, so the more you have, the better it would be. It would essentially help stabilize rates. The more customer's you have in, will allow you to keep those rates at that level for a longer period of time.

Ted Kanakos: So you're balancing new technology vs. the State's requirements, to keep up with the State requirements and any additional load, you have to rely on technology and once you come to the end of that, you can only use expansion, I would assume? Or another facility and then pump it all back to the river? Ten years... I think ten years...

Bruce Patrick: If I understand you correctly, the question is are we limited on the ultimate discharge volume to the river? I guess you could say yes, but it's a large, large amount that

you could do, based on current available technology. When the planning was being done back in 2006, 2007, I know the Town had a Wastewater Committee. We certainly reviewed a lot of what was done back then. We did our own analysis. The TMDL, the Total Maximum Daily Load, the study that was done on the Broadkill River, that has determined how much nitrogen and phosphorous that can be discharged, is 36 pounds a day of nitrogen. It's about 13 pounds per day of phosphorous. There's technology out there that the MBR's that will actually treat up to 1.5 million gallons per day and still allow us to meet those total pound limits. There's a lot of volume left in that river that would be allowed... that could be discharged and still meet the DNREC permit, but you'd have to build lots of new technology to do that.

Ted Kanakos: Now the Overbrook Center is talking about... I read the article in the paper that they may be using the Rehoboth sewer plant, if that could be upgraded, or enlarged. I know you have a pipe that goes what all the way down to Diamond Farm Road, or even further Hudson Road for new development down there...

Jerry Esposito: The only part that leaves Milton right now, serves the Holland and Anthem sub-divisions at Holland Mills; and there's limited capacity in that. That's as far as it goes. The concept that by the way, has not been included in any agreement, like Chesapeake, we've talked to these developer's off and on. We understand they just withdrew their application before Sussex County, so we don't know if they're coming back or not. The concept was they would run down Cave Neck Road, with a dedicated pipe for them. They would pay for that pipe. They would pay for the force main. They would pay for the pump station and more importantly, for you, they would pay for the capacity at the new plant. Believe it or not, even though it's a big shopping center, shopping centers are not big dischargers of wastewater. Other than the restaurants that might be there, you can just imagine you've got commercial places with some employees, but it's not like an Amazon, or better yet the battery factory up in Middletown, where you're producing things and you're cooling things. A shopping center typically has a... they do it on square footage and number of fixtures in a shopping center, so restaurant's, more than anything, are what drive shopping center capacity. So, they haven't made the evaluation of whether or not they can afford to run that pipe, but the point that we're trying to make to you, we're trying to be as creative as we can, including people in and around the town who are commercial type users; we would give them some kind of a benefit if they paid for that capacity up front, money in the bank. We don't have to finance it. I don't have to go to DNREC and ask for a grant, or a loan, because they're paying for their share of it, but that share of it is actually more than their share, because we're building that plant right now, whatever it is, either at the old site or at the new site, the money that's being used would build the plant, as we're building it, that's very valuable and so we would encourage them to sign on as early as possible and we would try to give them some kind of a break, maybe on Impact Fees or something like that; because the cash up front is very important.

Ted Kanakos: Is Dogfish discharging to the plant?

Jerry Esposito: Only the sanitary waste.

Ted Kanakos: Just the sanitary, the rest they...

Jerry Esposito: Not the process waste. As you know, they have trucks that take it out to farm fields.

Ted Kanakos: I was wondering their capacity.

Jerry Esposito: But they just finished a major pre-treatment plant there and in fact, it's not quite finished, but that will dramatically decrease the amount of wastewater that's going out, because they're going to do a lot of recycling. They've spent quite a bit of money there for both water conservation and also for cost effectiveness, as well.

Don Mazzeo: You commented that even if you move the plant to Sam Lucas' location, you will still have a discharge pipe running through the existing plant, or the existing side. How much land will still be available for development for the Town of Milton, should that occur? Are we talking about one little building, or are we talking... Can you show us?

Barry Goodinson: Yes, what goes away?

Jerry Esposito: Everything goes away.

Don Mazzeo: Everything goes away.

Jerry Esposito: Except for the pipe.

Don Mazzeo: So the pipe is underground? I know the pipe's underground; okay so there's nothing that's going to be preventing the Town of Milton to utilize that facility 100%?

Jerry Esposito: We would need an easement for the top of the pipe, in case something breaks, or we have to maintain it or we have to jet it out and there may be at the entrance, kind of like a meter pit, there may be some kind of a structure there. But in terms of above ground? There's no need to have a building there. We're not operating anything. It is forced by a pipe and then by gravity it goes out into the river.

Don Mazzeo: Thank you.

Ted Kanakos: Is testing still done at the end of the pipe, where it's discharged?

Jerry Esposito: Yes. And the State does it's testing too, so we do our monitoring in the plant, before it discharges out of the _____ contact tank and then the State has routine testing that they do in the river. I can't tell you the frequency of that. Other questions?

Barry Goodinson: Do you have any idea of the healthiness of the river, currently?

Jerry Esposito: Yes, the TMDL and that whole process, because they did a whole assessment of the watershed, showed a surprisingly resilient river and it was, in fact, at certain areas the non point source load, meaning things other than the treatment plant were greater than what we were discharging, because you all know, because this is your river, how far it meanders. It goes through the marshes and then through all the way under Route 1 and there's a lot of marsh and marsh has a lot of natural, or water fowl, or other detritus and other things that decompose, but in terms of being a river on the eastern part of the county, it's very healthy and if it weren't, our discharge limits would have been ratcheted further down.

Mark Quigley: I heard you say about the polymers. Do they stay in the plant, or are they also discharged?

Bruce Patrick: The polymers actually settle out a lot of the organic matter, which gets taken out as sludge, so kind of a side effect, we're now able to operate a little bit more efficiently by adding the polymer, but we're also producing more sludge, which is an additional cost. The sludge goes through our centrifuge and we dispose of the sludge off-site.

Mark Quigley: Do any other company's come into the town and discharge their sewerage equipment in the town?

Bruce Patrick: No. We've had that question asked, I guess, several times. No. The only pumper that I'm aware of, that's ever discharged; when Holland Mills was under construction, essentially before the force main was built, there was a pumper pumping out

of Holland Mills and bringing it to our plant and discharging, but we do not accept septage from people that pump out septic tanks.

Ted Kanakos: Like septic systems, or anything like that? That's like Clean Delaware.

Bruce Patrick: Right.

Jerry Esposito: That's right.

Jeff Dailey, 211 Grist Mill Drive: When you came to us before, you talked about adding these relatively small, because the technology is improving, filters and putting them on the existing plant site. In terms of our Comprehensive Plan, we're going to be writing a story and what's going to be happening in terms of our Comprehensive Plan is going to be happening within the next year, or so, so it's going to be at the front end of our Comprehensive Plan. Have you given any thought to taking the new technology and putting it at the new site and then dismantling what you can use from this site and moving it there? You probably would be rebuilding with new, because this is old, that would be new.

Jerry Esposito: Yes. Bruce will fill in the details here, but the answer is yes and if we did it, the way you suggest, it's again, twice as expensive and let me assure you that what we are bolting onto the existing plant and running side by side, is new technology. It's just that if we were to abandon everything and build new on the site, it increases the cost.

Bruce Patrick: You're correct. What Jerry just called a bolt on, I guess the MBR that we had originally proposed on site, is for 100,000 gallons per day. Right now we're averaging about 180,000-185,000 gallons per day coming into the plant, at Milton; so if we were to just totally leave this site and go over to the Sam Lucas Road property, we would need more than the one bolt on plant; we would need at least two to get up to the current capacity, so it would essentially double the price, plus the cost of the force main and the pumping station to get it there and to get it back.

Jeff Dailey: Have you given any thought to staying on the river with the plant and the add ons and the available land and have you, if you've had such a thought, come before Mayor and Council and said, we could do this. It will be great for rates in your town and we can meet the demand, growth in the surrounding areas; much of which you may annex in to Milton in future? Is that an option? Not that anyone wants the plant on the river, as you well said.

Jerry Esposito: Well that was the driving answer, but the answer is yes. In fact our original discussions, it takes me awhile, but I got it after the Mayor reminded me, we want you off the river, I said, well it is going to cost more. One option that we considered was subdividing the property. I have a little drawing, because we did look at... Not many people, well you all probably do, but not many people know that the property is one big property, including the land on the other side of that ditch. Here's the plant. The plant is here. You own over to here. It's like 6+ acres. We don't need to be over on that side, so we said in the best of all worlds maybe, maybe not, we could maintain that footprint and you do what you want on the other side. There's upland, it's not all upland, there's some wetlands there and we could probably do it as inexpensively as possible, if we could stay on the river and what was a resounding directive to us, was get off the river; even if it costs more, we want to know what that costs, so we've now estimated that cost, but if it's a permanent solution and you're off the river, let's bite the bullet if we know what the cost is. If it's like five times as much, then the decision is, I guess, more straightforward. But this is not five times as

much. It's about two times as much and if we can get some subsidies, that's what we're trying to do. But we've got this dilemma of the regulatory gun to our head, which is, as the professional engineer, who's responsible for operating the day to day operation of the plant, if in May we go out of compliance, it's because we didn't upgrade that plant. It's not the Town Council that gets penalized, it's Tidewater and not the customer's. Those penalties don't go to the customer's, they come to the company and besides that, we have a stellar track record on running our wastewater plant.

Lynn Ekelund: Just a second, Ted. I just want to ask a quick question. So when you're saying get off the river...

Jerry Esposito: The plant. Not the pipe.

Lynn Ekelund: You're saying the plant.

Jerry Esposito: I'm sorry, yes.

Lynn Ekelund: We're never getting, or at least...

Jerry Esposito: Never getting out of the river.

Lynn Ekelund: We're in the river, but we're going to get off the river bank.

Jerry Esposito: You're in the river. All of this, our plan, because we want to...

Lynn Ekelund: I just want to make sure that...

Jerry Esposito: All this goes away.

Lynn Ekelund: That goes away, but we're not out of the river. We're in the river.

Jerry Esposito: Your discharge pipe is in the river.

Lynn Ekelund: So the decision that you have to make by the first of the year, is whether to maintain the footprint on the river bank, or on the river and add maybe \$2 million worth of stuff; or use the 5-10 acres of Key Ventures, if that is still available?

Jerry Esposito: Yes.

Lynn Ekelund: And do whatever needs to be done at \$4 million, about.

Jerry Esposito: It's probably more than \$4 million.

Lynn Ekelund: More than \$4 million and you're hoping to get some up front money from Overbrook...

Jerry Esposito: Private and public.

Lynn Ekelund: Let's say and some state money, but so it would be more money, but we'll still have some portions of the plant? No portions of the plant.

Jerry Esposito: No plant, just a pipe, underground. Then under river, because it goes out into the river; you can barely see it on low tide, but it's under the river.

Lynn Ekelund: And just stick with me for one more? And if you make that decision by the first of the year, we can get all of that done so that in May, we will be in compliance?

Jerry Esposito: No. That's a great question and it's confusing.

Lynn Ekelund: Okay, that's where I'm a little...

Jerry Esposito: What Bruce and I have been trying to say is, we're in compliance now, even with the new permit limits. We're right on the edge and we will probably be in compliance in May. If we decide, either way we go, we have to go back to DNREC and say a year ago we told you we're going to start constructing a new plant; but for all of the reasons that you know, because you've been in meetings with us, we didn't start construction because we feel it's worth the risk of delaying the 6-9 months to build the ultimate solution for the Town of Milton, but here's the risk, in May, we may have one of those bad months and we need your cooperation to allow us to build whichever one we build, after May, because we

will not have anything done by May, but we think it will be in compliance, but as the guy responsible for operating it, he's a worry wort and he says I can't guarantee it will be in compliance every month. Okay?

Lynn Ekelund: Thank you.

Jerry Esposito: That was a great line of questioning and I'm sorry if it wasn't clear.

Lynn Ekelund: That's alright.

Ted Kanakos: It appears that your most valuable asset is that grandfather clause that you're allowed to pump into the river.

Jerry Esposito: Well, our asset and your asset, because if we have to spray irrigate, we'd have to build massive lagoons; we'd have to lease or buy farmland. I promise you it would be more than twice the cost of what we're doing.

Ted Kanakos: So regardless of where you are in the County, that pipe is going to go underground, into the river?

Jerry Esposito: Yes. Yes. Yes. Is that okay?

Mark Quigley: I just have one question. So the bolt on piece would be 100,000 gallons, so that would be a 50% increase in capacity?

Bruce Patrick: Yes, it would be 100,000 gallons per day and we'd send, essentially, the first 100,000 gallons per day through that; everything else would go through the other and essentially would be blended. In theory right now, because we're walking a fine line, we're right there. We've got a couple of blips. That would give us some excess capacity. It would take us to... I guess I estimated it earlier, you know, 10, 12, maybe 14 years, depending on the growth rate. If the growth rate stays at 40 homes or 50 homes per year, then that would probably carry us 10-15 years.

Mark Quigley: Okay, that's where I was going. Alright, thank you.

George ?, Cannery Village: First let me say I'm totally in support of state-of-the-art technology used for wastewater and sewerage treatment, but my questions are far more parochial. I come from states where Public Service Commission rate cases tend to be more forward looking and I've noticed... let me back up. We moved into Cannery Village in June of 2011 and we got our first quarterly bill after that and I've noticed that since that time our charges have gone up by 66%, roughly, depending on how you do the math. So my question is, what was that intended to cover? What we're talking about here, something else, are you looking for us to support yet another rate case? That's question number one. Question number two is, when we moved in in June of 2011, our mortgage lender would not allow us to close until the sod went in and for those of you who might remember June, 2011, the month before and the month after were like it was hot, it was dry and so we appealed and said, this is silly, we'll waste a lot of water. How about giving us a dispensation to wait until September and they said no and so we put the sod down and we watered heavily. We got our bill from the town, as I expected, it was substantial and then we got our Tidewater bill and I said, there must be a mistake here. We're being charged for the same amount of water that we used with the town. So my second question is, where does that water go? The water that we used to water our lawn, how does that get into the sewerage system?

Jerry Esposito: Alright, let me try to answer both questions. Second question is an interesting question. It's based on the tariff or the rate design that we have here. But the first question is absolutely appropriate too. The rate increase that was ratcheted in, just for lack

of a better phrase, over five years, was one that was settled about four year ago in a “rate case” that Tidewater filed with the Public Service Commission. A lot of you in this room remember how it started. We tried not to include the town, the Public Service Commission, the Public Advocate, required the town to be included, but the good news was each of our seven or eight wastewater systems had their own separate tariffs. So Milton got it's own tariff and as opposed to the other seven, which increased rates immediately, yours was phased in because it was such a dramatic percentage increase. Those increases were to pay for the \$2 million that I talked about, that we invested in the plant when we acquired it in 2007. So that rate increase is supposed to, whether it does or doesn't, that's what the Public Service Commission determined would recover our previous costs. Anything new, means yet another rate filing with the Public Service Commission and all that comes with it. That's why we do not want to do that, but we don't have much of a choice and every dollar that we spend will have to be recovered through rates and I can't tell you how that “rate case” will come out, but it's likely to be similar and it's not going to be pleasant and we want to minimize the pleasantness, so let me go back to the conversation we had with the town leaders; what they said was, we don't want a rate increase, but if we have to have one, let's do it and be done with it. Get off the river. Sorry, get the plant off the river and if we do build this plant, any new users that come on with us, a town center, a new brewery, or whoever, they're going to pay their own share, so it shouldn't have an impact on you and I won't guarantee; because I know the media is here tonight, but I won't guarantee that there won't be a rate increase, but the rate increase would be for just typical things, not massive expansions or increases. Your second question is also good, because of our eight different tariffs that we have with the Public Service Commission, only Milton's is based partially on flow. All the other ones are a flat rate and we issue them quarterly, I think on wastewater. In this town it's also quarterly, right? It was because we inherited the tariff that the town had. The town had that same tariff. They had a volumetric and a flat fixed fee, so it's a combination of both, so for somebody like you who irrigated, or washed a lot of cars, you're paying for water that didn't go back into the sewer system, is the short answer.

Ted Kanakos: Dogfish Head uses an awful lot of water, obviously.

Jerry Esposito: Yes.

Ted Kanakos: Their product is water. Do they pay the same rate, or did they get a break on their sewer rate vs. how much water they use, as charged by the town?

Jerry Esposito: They have their own water system. They have their own wells, for their production and it's segregated completely from the domestic, sanitary waste that the plant has and they use only a modest amount in that sanitary waste. So they are charged on the same structure. Yes.

Jim Welu: Somewhat off the topic, but I think this gentleman's issue is something that I've raised with the Council numerous times, that if someone wants to spend money to put in a private irrigation well, they should be able to, to avoid the issue that he has. It's expensive to put in a well, but it would avoid using treated water. But my question is, I'll give you my bias first. I'm for getting you off the river and I think that's important for the future development of this town. The question I have... I don't know that much about service areas, but there's an awful lot of wastewater on Cave Neck Road, with all the housing developments and I think it's all going down to the Rehoboth treatment plant. Where's it going?

Jerry Esposito: Septic systems, probably.

Jim Welu: No, no, no. Sewers, like Overbrook Shores. We're all on a Sussex County Sewer System. I don't know... I believe that most of those developments are on some type of a sewer system. Is it possible... I don't know how much of an impact and how much capacity Rehoboth has or whoever treats this, is it possible that that could be reverted back to Tidewater, that would give you some of the amount of sewerage you need to make a new plant feasible? It maybe something that the State or the County might contribute some money to. I know we're paying a fairly high fee for our sewerage treatment and that could come to Tidewater, if someone would build a pipe to Sam Lucas Road.

Jerry Esposito: Good question. The challenge, I think that's a good word for it, is that the County sewer's much of what you talked about. I'm not sure they have all of those communities on the south side of Cave Neck Road, near Paynter's Mill and Vincent Overlook. Windswept, actually on the other side of the road, is served by another private utility, not by the County, but there are some pockets of septic systems along Cave Neck Road that aren't sewered by anybody. The challenge is, like any other infrastructure that has been allowed for awhile, the County bases their rates on existing customer's too. If we were to approach the County and why don't you peel off part of your sewer district and send it to ours, I don't think they would respond favorably. They could, but that would be good for our critical mass, but it would be bad for their critical mass.

Jim Welu: Unless their treatment center is at capacity or close to it.

Jerry Esposito: Well, it's a good point. That treatment plant, by the way, is not in Rehoboth. The wastewater that's serving that community, is pumped down Route 1 to an area just east of Midway Shopping Center that the County operates, so it is a county-run facility. It is at some capacity, but the county has plans to expand and inter-connect with another plant down by... they call it their inline base plant, passed Angola, down by Burton Pond, in that area. So although it's a noble idea, I think the institutional problems would prevent it.

How's that?

Barry Goodinson: Just a quick question. We all want it off the river and I think that everyone recognizes that, no offense, but it's an eyesore and it depreciates property values. It's a drag on downtown development and if we were to be able to clean this up, it would increase the attractiveness of the downtown, for visitor's, for businesses, all of that stuff. So if you were to move to Sam Lucas, what's the timing of that? What would the timing of that look like?

Jerry Esposito: Subject to financing and permits, about two years, give or take. And we could do something on the site in a little less than that, probably a year.

Barry Goodinson: Okay.

Ted Kanakos: If I recall when you initially came to town and took over the sewer plant, the reason Sam Lucas, the facility on Sam Lucas Road was discussed, was the fact that I think we had expected 1,500 more houses within just a little time. Of course, the economy devastated that. This gentleman said that we're looking at about 40 new houses a year. That seems not very reasonable. I think that we can get that 1,500 within the next few years. Are you ever going to be literally forced to leave this area for the Sam Lucas Road, or will technology take... If you had that other 1,500, you would have already been on Sam Lucas Road.

Jerry Esposito: Yes.

Ted Kanakos: So, we haven't reached that number and then, of course, technology is absorbing whatever increase, but we could see a couple of thousand houses in our expansion area. We have right now I think 1,300 empty lots. These include the developments that haven't built out, as well as all the infill in town. I mean, if we just did 10% of that a year, you're talking about 100, 150, not the 40. You're pinning your hopes on technology keeping up with whatever criteria you have to meet, given to you by the State and do you think that this facility could handle that forever?

Jerry Esposito: Bruce will go through the projections again and it really is a matter of when you get to a certain threshold and it's 80 or 85%, then we must do something else, okay? But go back to the basics here. We prefer to be off the site, too and it gives us a bigger footprint, so we can expand. We can do something there. I mean we can jam things in there, but go back to the concept here, which is if you're going to make us pay, make us pay for the future solution, not what's been called a band aid in this room and we get it. We understand. Do you want to add to that?

Bruce Patrick: The projections actually are based on history that we've had since 2007 and the last several years. We started out with 1,144 and we're up to almost 1,400, so the last two years it's been right around 40, it could be 42, 43...

Ted Kanakos: But that's the economy that has put a glitch in it. I don't think it's realistic for the future.

Bruce Patrick: What would be wonderful for all of us, I guess, is if we had some kind of a good assurance or a guarantee and guarantees are hard to come by, that we were going to bring in 150-200 homes a year, when you multiply 200 times the Impact Fee, the current Impact Fee is around \$8,000; 200 X \$8,000 is \$1.6 million; a couple of years worth of Impact Fees at that rate, would really go along away towards something, but that certainly can't be guaranteed. The carrying costs to implement something without that kind of money coming in, goes through the roof, so the 40 is based on history.

Ted Kanakos: But the State has designated these development areas for lots of things, for school districts and all of this type of thing. Do you really think only 40 houses a year? And then if you put on Overbrook Center, this type of thing also, it would almost be expedient to start looking. Now if a new development comes on, 200 houses, 150, 300 like this, would their Impact Fees then replace some of the money if we decided, or you decided to go ahead before the fact? Would that compensate for the higher bills that we would get, for you to expand before the fact? In other words, if our bills double because you put in a plant and we would like you off the river, if new developments; let's say 400-500 houses, 600 houses; would this offset our rates? It was like the gas company saying that there's a certain way of trade on all that?

Jerry Esposito: Well, like them, we are also regulated by the Public Service Commission, so rates are whatever the Public Service Commission determines, but Impact Fees can be negotiated. So, what I was trying to say and maybe what Bruce has said is, if we had a guarantee, a developer said not right now, but I want to pre-pay this town... this town did pre-paying back before we took it over... and pre-paying we would consider a discount, because we're going to get that money and use it to avoid financing charges, so we would pre-pay to get an allocation that's guaranteed for them. We get something guaranteed. We could use that money to build the right size plant and that is kind of the best of all worlds. We actually talked about that with the town. The town could pre-pay to protect a certain

allocation and the benefit of that, if you think the way Federal and State agencies fund things, the town can qualify for things that are long term, that we are not regulated by the Public Service Commission; so they can pay for a future capacity that a private enterprise can't pay for. So, if we can get over these next couple of months of deciding whether we've got this property, or not and whether it's affordable, or not and if we can get the funding, or not; we can get into the details of what we call tariff design. How do we keep the Impact Fees low? Use the up front money and then buy down future debt because we've got money in the bank and we'll guarantee, just pick a shopping center, whoever they might be, we'll guarantee that you'll have your capacity, even if you don't need it for four years, because we're going to use your money now. That's worth something, because when they do their proforma, we can give them a discount, because the time value of that money is critical for both them and us. Ms. Weeks wants to ask a question. I know she does.

Mark Quigley: I have a question for you too, while she's walking up. Regarding the proforma, the \$2 million upgrade and the 66% increase; does that sunset at any time, or is that perpetual, that increase?

Jerry Esposito: The rates you mean?

Mark Quigley: Yes.

Jerry Esposito: No, the rates are what they are now. They don't get reduced. They don't get changed, unless there's some reason to change them.

Mark Quigley: So how long would it take to recoup the investment of the \$2 million on the improvement?

Jerry Esposito: The future, or the existing?

Mark Quigley: The existing. The one that you did, that you said you spent \$2 million to upgrade it...

Jerry Esposito: I don't mean to be funny, but it is extremely hard to explain how the tariff design works in recovering past rates and what I can tell you is, what we asked for is not what we achieved, so if my CFO were here, he would say we never get it paid back. It's less than what... We didn't recover all of what we paid.

Mark Quigley: How could that be, then you would be out of business? That just doesn't make sense.

Jerry Esposito: It's the way in which regulated utilities get financed, that is way too complicated and takes too long and I'm not the best one to explain it, in a forum like this. It's not you going out and buying something and financing it and it's paid for and then you don't pay for your car anymore. It doesn't work like that. I'm not trying to be funny, but that is... a lot of you were in the negotiations on the tariff...

Mark Quigley: So the Town Council knew what that increase was going to be, for the resident's having their increase in their bills?

Jerry Esposito: Yes.

Mark Quigley: They knew it was going to be 66% over whatever this period of time ratcheting in and phasing it in?

Jerry Esposito: Your attorney and we were all parties to this, whether...

Mark Quigley: I'm not looking for the legalese. I just want to know were they given the numbers of the proforma, so everybody knew the clarity of what these increases were going to be.

Jerry Esposito: I think they did.

Mark Quigley: Okay.

Ted Kanakos: Excuse me, real quick. Was there a moratorium on raising our rates for a number of years, after you took the plant over?

Jerry Esposito: We had a commitment that we would never raise by more than...

Ginny Weeks: \$40 a quarter, the second five years.

Jerry Esposito: Okay.

Ted Kanakos: That was in the second five years, so the first five years, I remember our rates more or less were frozen at a very low rate.

Jerry Esposito: They were frozen and when we got to the fourth year, is when we started this process. We tried to wait until the fifth year and that's when the Public Service Commission brought you all in in the fourth plus year. But the rates, I don't think went into effect until the fifth year. It was close.

Ginny Weeks: I don't understand something, so I'm going to ask you. The improvements you want to make to the existing plant will cost approximately \$2 million. That will allow that plant to continue for another 10 or 12 years.

Jerry Esposito: Correct.

Ginny Weeks: Approximately. Are we at capacity now?

Bruce Patrick: We are walking a very, fine line. For all intents of purposes, yes. We've had a couple of blips, just this year, where we exceeded BOD and as I tried to say earlier, we're doing things to try and operate it more efficiently, but we're right there. We're using additional polymer. It's not designed to remove the nitrogen and the phosphorous... we're right there. Right now we're on the good side, in that we're not exceeding it, but there's not a lot of breathing room, or not a lot of comfort. We need to plan, which is what we're doing...

Unidentified Speaker: Is this all going into the river? I'm sorry.

Bruce Patrick: Yes, Sir.

Ginny Weeks: If you build this \$2 million upgrade at the plant on the river, we will start paying for that immediately. When would we start paying for that?

Bruce Patrick: This gentleman actually used... I think he had lived in some States that were more forward looking with the Public Service Commissions. Our Public Service Commission, the way rates are set up, are actually retroactively kind of backwards looking. We would actually have to make the improvements, spend the money, it would have to be in-service, what they call used and useful, so essentially in operation. Once it's used and useful in operation, you've spent the money, then we could go to get that recouped at a rate proceeding.

Ginny Weeks: So the people that live here now would be paying for the improvements to service the people that will be moving in later to increase your capacity?

Ted Kanakos: To increase the quality of the effluent.

Mark Quigley: Compliance.

Jerry Esposito: Some of you have asked this question. I think you asked it. If not one more person moved into town, we still have to upgrade this plant and it's going to cost about \$2 million.

Ginny Weeks: That's what I wanted to know, thank you. And did I hear you say that the Sam Lucas owner's are still willing to donate land to you?

Jerry Esposito: Yes.

Ginny Weeks: They're willing to donate it to you!

Jerry Esposito: Yes.

Ginny Weeks: Okay, not going to get a break on their Impact Fees or anything like that?

Jerry Esposito: We haven't gotten that far yet.

Ginny Weeks: So they're not willing to donate it? They're willing to let you go forward.

Ted Kanakos: It's a trade off.

Jerry Esposito: I'll go back to what I said before. If they want to pre-pay because they want to develop the other 60 acres, we'll talk to them like we'll talk to the shopping center; that's why I say, I can't guarantee that we wouldn't discount them.

Ginny Weeks: Then I want to know and we have Council people here, if they can get their acreage, why can't we get it? Because if we don't get it, they save \$1.5 million that they agreed to pay us for it.

Jerry Esposito: Let me clarify something.

Ginny Weeks: Okay, thank you.

Jerry Esposito: Your Solicitor and their attorney are still working on this year's old annexation agreement, which includes donating 20 acres of land to the town, 18 of which goes to Tidewater. That's what they are talking about. It's the same amount of land...

Ginny Weeks: And Tidewater was to pay us \$1.5 million...

Jerry Esposito: Through Impact Fees, correct. Over time. \$1,500 every time somebody hooks up, we write you guys a check. That's how it's done.

Ginny Weeks: Okay, I'm just looking at the town losing \$1.5 million, perhaps. That's why I'm saying that. The other thing is, what would the feasibility be of developing a new plant up where they want to build the shopping center?

Jerry Esposito: It would cost us way more.

Ginny Weeks: Way more, because of moving stuff up and back to the river?

Jerry Esposito: It would be about 5 or 6 miles of...

Ginny Weeks: Okay, the river isn't up near there.

Mark Quigley: They don't have the pipe.

Ginny Weeks: Okay, thank you.

Ted Kanakos: The land is more expensive on Route 1.

Mark Quigley: I have another question for you, if the town still owned and operated the plant and they did that \$2 million upgrade, they would sunset after a certain period of time – being that we would set our own rates. Is that how...?

Jerry Esposito: You set your own rates. You don't have to answer, as we do to the Public Service Commission, so you would do the same thing we're doing. You would hire Pennoni or whoever to design it. It would cost you an amount of money, you'd float a bond, you'd try to get public financing. The difference would be you may qualify for certain things that we don't qualify in terms of subsidy, but I promise you, your rates would go up, but you would set the rates, or Town Council sets the rates. If the rates are inadequate, then you have an internal accounting problem. Like some towns do, they subsidize sewer rates with other things, but that's... you answer to yourselves in that, you don't answer to another body.

Mark Quigley: I just ran the numbers. On a five year, if we did it, I didn't do any interest, it would be \$71 a quarter for five years, for the 1,400 resident's here, currently; sitting, so...

Jerry Esposito: That's fine.

Mark Quigley: No, I want... It's an understanding for the public. This is pretty simple, it's

not that hard.

Jerry Esposito: Right.

Mark Quigley: And it's another alternative. What would be the process if the town wanted to buy the plant back?

Jerry Esposito: That's been discussed before. Our conclusion is that it would cost you more money, in the long run to do it, but we have an agreement. We would stand by the agreement. There would be attorney's involved and...

Mark Quigley: So there is a buy back agreement? Is that what you're saying?

Jerry Esposito: No there was no buy back agreement.

Mark Quigley: So which agreement are you referring to?

Jerry Esposito: The contract that allowed us to acquire this asset is in place and it's enforceable and we believe we've lived up to it and if you try to break that agreement, we will do our best to...

Mark Quigley: Oh okay, so how long is this? Is the agreement forever?

Jerry Esposito: Yes.

Mark Quigley: Oh, it is forever.

Jerry Esposito: Yes.

Mark Quigley: So basically the town could not buy it back?

Jerry Esposito: Look, it's the United States of America.

Ted Kanakas: If they want to sell it, you could buy it.

Jerry Esposito: We don't want to sell it. Not only because we think we want to do this, but we've run the numbers and for you to buy it back in a way that would be acceptable to us and the Public Service Commission and your resident's, it would be more expensive. You need to satisfy yourself, it appears, to do that yourself. That analysis.

Mark Quigley: Well, absolutely and you know for the folks. I mean at a 66% increase, that's forever, after the asset is paid for, just doesn't make sense and I understand the whole tariff. We may not have the knowledge of whoever puts these programs together, but it just... I think it puts the public at a disadvantage.

Mike Coté, Grist Mill Drive: In terms of the 66%, it isn't done yet. It's 111%, right? Well, you have increases coming in the next 2 or 3 years...

Jerry Esposito: No, I think it's the last increase.

Mike Coté: Two.

Jerry Esposito: I think April is the last increase that will come up next year.

Mike Coté: April of 2015?

Jerry Esposito: Yes.

Mike Coté: It was supposed to be phased in over five years and it happened in 2011 or 2012, so in reading the Public Service Commission document, Milton was 111%. Put your teeth back in. It was 111% and I've raised this issue before and obviously Public Service Utility Accounting is complicated. You keep telling us that you spent \$2 million to upgrade the plant...

Jerry Esposito: Well, the plant and the sewer lines.

Mike Coté: The plant and the sewer lines, okay. When you took possession of the plant, the town also, besides the sales price of everything, the town gave you a separate check for roughly \$2.4 million.

Jerry Esposito: Right.

Mike Coté: So does that mean you spent some of the town's \$2.4 million to do the upgrades or did you actually upgrade \$4.4 million? In the Public Service Commission Hearing documents, it said you didn't provide the wastewater service agreements, which would have had that information in there and I couldn't find how you calculated your rate return base, so I don't know the answer and this probably violates Rule number one, or two or three, or all three of them?

Barry Goodinson: You can ask a question, just make it nice.

Mike Coté: So I guess I'd like to know whether you actually spent \$4.4 million to upgrade, or whether you spent most of the money that you got from the town, when you took possession of the plant?

Jerry Esposito: Okay, well... I'll try to answer that. While the \$2.4 million came our way, we also sent a check to you all for about \$2.2 million, or something like that; so there was an exchange of checks so that the net was not a lot of money; so there was no net back account, so we had to finance this with our funds, which as Bruce reminds you, after we did these things we came to a point, where we realized we could no longer sustain the rates and pay for the operation of the plant, so we sought a rate increase and in all due respect, I didn't expect to come here talking about the rate increase that was negotiated and settled and agreed to by this town, or I would have brought my documents tonight. Sorry.

Mike Coté: I didn't want to have that discussion either, because it was all done, but I just wanted to inform the public, who was listening to 66%, and it's really not done yet.

Jerry Esposito: Yes.

Mike Coté: Now, you mentioned that you had a couple of blips this summer with hitting limits. Back in April you mentioned that the previous summer, you had had a couple of blips hitting limits, the summer of 2013. It had to be the summer of 2013, because you said it in April.

Jerry Esposito: It's the same thing.

Mike Coté: Well, so did you hit them two summers or just one summer?

Jerry Esposito: No.

Bruce Patrick: Actually we hit them in 2014, we had a couple of blips and I thought that was what we were referring to earlier, what we meant, as well.

Mike Coté: Well, but the comments were from April of 2014, when you mentioned you had a couple of blips, so that had to be, if you mentioned in the summer, so it had to be 2013; because you said it in April.

Bruce Patrick: If we said that in April, then it was the summer of 2013. Those couple of blips were the couple of blips; we haven't had a couple of blips more than those times.

Mike Coté: We haven't had more?

Bruce Patrick: Right. Right. Yes.

Mike Coté: Okay, thank you. This question came up somewhere along the way, some of the discussion of the 1,250 approved building lots in town. So there's no... it sounds like and please correct me if I'm making a mistake. It sounds like there's no capacity to handle those current 1,250, if some miracle happened and they all started tomorrow, we'd be in deep trouble.

Bruce Patrick: If they all started tomorrow, we would be in trouble. Based on our history and that's all we can base it on, I feel that we're walking the fine line; that's a phrase I've used several times tonight; that most likely we're going to be okay walking that fine line,

based on our historical growth rates that we've experienced the last couple of years. But it's time to start... we have to make a decision by the end of the year. We need to start doing something, because that fine line... we're on the good side of the line right now, but it won't take much to get us on the bad side of it.

Don Mazzeo: If I can just break in for a second. Let's do a hypothetical that was just proposed. If all 1,200 building lots, indeed, by some miracle, were started today and three months down the road we now have 1,200 brand new units trying to pump into this existing system, what do you have in your bag of tricks to prevent that system from being totally overloaded and you're going to go way out of specs against the State?

Bruce Patrick: The good news/bad news, I guess, if all 1,200 would come in tomorrow, apply for a building permit, I think we would have to make our decision much quicker...

Don Mazzeo: It's still two year's down the road to get a new plant up. What do you have today? Should there be a huge impact?

Bruce Patrick: I'm going to get there. DNREC's been at the table with us. They know the issues that we're facing. I can't say that they'll be lenient; hopefully they'll be understanding. If all 1,200 started tomorrow, all 1,200 won't be done tomorrow. It's going to take 4 months, 6 months, 8 months, to 12 months. In my opinion, my professional opinion, what we would have to do at that time, is go back to the plan that we had that we could implement in 12 months and that was to build a 100,000 gallons per day MBR that would give us that capacity. So if they start tomorrow, it may be 6 months, 8 months, 12 months before it's done, we could have something done; we said a year, perhaps it could be a little bit less than a year, if you really expedited it. At the same time you want to pull DNREC in, who's already in the fold, well aware of what's going on. That's going to be the quickest thing to get done, within a one year period.

Don Mazzeo: Thank you.

Barry Goodinson: Well it seems to me that you're looking at the 40 houses per year, historically, but that was during an economic downturn, so we're probably going to have more than 40 a year. We're certainly not going to have 1,200 all at once, so hopefully we're going to be somewhere in the middle of that; but you're right, we're skating at the edge of the capacity. We've got to do something fast.

Bruce Patrick: Yes.

Mark Quigley: I have a question. So you build out at Sam Lucas and you have this magnificent plant and it can handle everything and there's room for expansion, you go for your rate increase. Does that affect us here in town?

Jerry Esposito: Yes.

Mark Quigley: Okay. The building continues on outside in the county and you start turning in all these other communities to the plan. You need to upgrade again, to handle those new communities, do we get hit with another rate increase?

Jerry Esposito: Let me try and say this again. If the tariff design works the way it should, growth should pay for growth. That's the way it's supposed to work and we'll have a treatment plant there that if it's built at a certain capacity and then the next year, a new Amazon comes in, that cost should be borne solely by that new user and we have the Public Service Commission to make sure that you customer's, are not subsidizing that user. That's your fall back. The regulated monopoly model throughout the country has the Public Service Commission or whatever they're called in other states, as the throttle to replace the

competitive market out there, so that we don't gouge a captive customer. That's the way it's supposed to work at a philosophical level. So when this new treatment plant is paid for, with you and other big users, at the time, paying their share, that should be good enough and if nothing is needed for you, that's attributed to you and your impact on that treatment plant, your rates should not go up. That's the way it's supposed to work.

Mark Quigley: And the reason why I ask that is, because you said that that plant should have a capacity at the regulations and the anticipated regulations, for 20 years. Those are the numbers you were using before, give or take...

Jerry Esposito: Depending on the growth rate.

Mark Quigley: Plus or minus a couple of percent.

Jerry Esposito: Yes.

Mark Quigley: So I guess my understanding or I'd like to be clear on, is as rate increases continue, you asked for more rates. In 10 years, that new plant's being run fine in 10 years, but you need more capacity. You're going to go for another rate increase. Does that affect us, because we still have 10 years left on our...

Jerry Esposito: The short answer is it shouldn't. Nothing's guaranteed, because...

Mark Quigley: I was going to say, can we get that in writing?

Jerry Esposito: You can get it from me, but I'm not the decision maker, the Public Service Commission... I can't send... you heard what Bruce said. We build this plant for \$4 million, whatever the hell it costs; we're going to file for a rate increase. The Public Service Commission might say you should have only charged the customer's in Milton \$1.5 million, so we'll develop the rate structure based upon that.

Mark Quigley: Is there current history on that? Has the Public Service Commission ever not given an increase?

Jerry Esposito: Yes.

Bruce Patrick: Yes.

Mark Quigley: What example would that be?

Jerry Esposito: There are a couple of water company's. The answer is yes. I can't give you documentation of electric, gas, water...

Mark Quigley: Not documentation, just whatever company or period of time, I'll go and look it up myself. I just want to know who was it and when, roughly?

Jerry Esposito: I can't explain that.

Don Mazzeo: Was it anything specifically for Tidewater, basically? Have you ever been denied an increase...

Jerry Esposito: Twelve year's ago we asked for a substantial increase and we were given a 2% increase. That's the closest that I was involved in, that I can tell you and even though you got a rate increase here, it was not what we asked for. It was substantially less, as were all the other wastewater rate increase requests that we made. So the more typical example, I'm trying to answer your question, but it's not one that I _____ directly; the typical example of a rate filing by Chesapeake, by Delmarva, by Comcast, whoever is regulated by the Public Service Commission is, they ask for this and they get this.

Mark Quigley: This may seem a little bit off topic, but I'm curious, being that things are regulated and... are the salaries regulated also?

Jerry Esposito: Salaries regulated?

Don Mazzeo: Who's salaries?

Jerry Esposito: Who's salaries?

Mark Quigley: The Tidewater principles or employees?

Barry Goodinson: We're kind of getting off topic here.

Mark Quigley: I think it's important.

Barry Goodinson: It's off topic. It's important on it's own, but it's off topic, so I think we need to get back onto the topic here.

Mark Quigley: It's a yes or no.

Jerry Esposito: I don't know how to answer it; when you say regulated, does that mean the Public Service Commission can tell me what I can tell Bruce? Is that what you're asking?

Mark Quigley: Yeah, or any of the other principles in the company.

Jerry Esposito: No. No. But we report salaries and if we're out of line, those salaries can be taken out of rate base, if that's what you're asking.

Mark Quigley: Just trying to figure out what the checks and balances are.

Barry Goodinson: Hold on. You missed the beginning of the meeting, Mark, and we talked about focusing on the future stuff and focusing on the topic at hand, so we set some guidelines at the outset and I know you weren't here when we set them, but we did.

Mark Quigley: Thank you, I appreciate that.

Barry Goodinson: Any other?

Jim Welu: I believe you said in response to Mrs. Weeks' question that the plant is at capacity; now is that capacity in terms of the quality required by DNREC? Or is it a capacity that you can not treat any more gallons of wastewater?

Bruce Patrick: Jerry touched on earlier the five discharge parameters that we are regulated on, the effluent limits that we have to meet for those parameters. When I say we're at capacity, what we are discharging today is less than those limits; but not a lot less, so I guess when I say we're at capacity, we're on the good side of being at the capacity and we can certainly bring in a few homes, as they connect; but there's not a large amount of excess capacity in this existing plant. We're walking a fine line.

Jerry Esposito: Quality, not volume.

Bruce Patrick: It's on quality, yes, not volume. The permit is written. If you want to treat to the high level and bring in the technology, you can discharge much larger volumes of water, as long as you meet the quality of the water that's discharged.

Jerry Esposito: Our current permit allows over 350,000 gallons per day to be discharged and we're not even at half of that.

Bruce Patrick: Right.

Jeff Dailey, 211 Grist Mill Drive: Mr. Esposito, you said you were looking for cooperation, in terms of the quality of the water, not the volume, meeting these new mandates. Has there ever been a reprieve granted to a company, such as yours? Like a two-year extension, so to speak? That's my first question.

Jerry Esposito: It's a good question. Whether it's a company or not, certainly dischargers, like us and like Counties and like Rehoboth Beach, is the most famous one right now; have been given extensions over time, yes and they either reach a compliance schedule or it's mandated by a Court, or they reached some kind of an agreement; so it's not unusual. Not to digress too much, but Bruce and I used to work for DNREC for a lot of years, so we have great familiarity on the other side and what we would be asking for, is something that would be reasonable to ask for and has been granted in the past.

Jeff Dailey: Okay and for the purposes of our Comprehensive Plan, if we could write about a cooperative venture between town and Tidewater, that might go some distance in your request?

Jerry Esposito: Absolutely.

Jeff Dailey: Okay. Then the other thing, and this comes from something that I've raised before Council and before Planning and Zoning, in terms of recouping lost revenue and charging a surcharge for water that is pumped out of a private well. We just had a business that, I believe if I remember correctly, was just granted permission to put in a private well; but never, never, never was it discussed charging that business person a surcharge on the water, that even though it would be small, because he's bearing the expense of the well; the town would then recoup some of the money it was losing from the Water Department. Now, if we have this permit, that allows you to pump from even the new location, should you build a plant there, into the river; could in fact, the Town of Milton charge you for access to the river?

Jerry Esposito: Okay, that's an interesting question. The river is not owned by the town. In Delaware, Riparian Laws are such that unless it's a private pond, the State acts as the Trustee of the waters of the State of Delaware and the river bottom. You could charge us an easement fee to cross your property with that pipe; that would be reasonable and fair; but again, not to beat a dead horse, the fee would go back into your rates, because it's part of the tariff. But that would be a more realistic thing that you could certainly charge us for.

John Oates, 115 Arch Street: Not to rehash the Public Service Commission rate cycle increase, my understanding in a nutshell, in 2010 Milton charged \$3 per thousand gallons for incoming water; Tidewater charged the same for discharge rates. That's when the rate increase began. It's currently \$5.37 from Tidewater for discharge, soon to be \$6; so effectively we've had 100% increase in the rates, to cover the \$2 million that was put into the plant. Now we're talking about putting another \$4 million into a new plant, perhaps more. Should we then anticipate a 200% increase in our rates, based on precedent?

Jerry Esposito: Well, I've tried to say I hope not, because I don't think that would be acceptable to the town. I've given some of the town's leaders some estimate of what I think it would be, without a subsidy. I don't think this works without a subsidy, to be blunt. So, if I were you, I would find that unacceptable and I believe that's why we've been getting good reaction from some of the public funding agencies and why we're pushing hard with some of the private, potential customer's; including the Town. I don't mean to... I'll repeat this just once. You have the ability to float a bond for something, even though you don't own the plant, that then gets you capacity that you could be almost like a part owner of the plant, so you could get paid back over time from new customer's as they come in. So you could buy into the plant and that's another funding source that we wouldn't be able to do by floating a municipal bond, as an example. We're trying to be as creative as possible to avoid a 200% rate increase, because I don't think that would work politically and otherwise.

Barry Goodinson: Any other questions. Well thank you. This was...

Jerry Esposito: Different?

Ted Kanakos: I think, obviously, that Tidewater has been a real lightning rod since the Town privatized. There's lot's of things we've privatized, our garbage pick up, 10 years ago, 12 years ago, but the problem is we could always get that back, by buying a truck. We can't do it by building another plant for ourselves. I think you have to know that that really hits

the heart of things. There's a lot of regulation, you pay for water, you pay for run-off and there are some towns now paying for stormwater run-off and things like this. Everybody has to and wants to make a buck. I would love to see Tidewater off the river, but I have to say that I think they give a good service. I know when I lived in the County I paid more quarterly, much more for sewer.

Jerry Esposito: Absolutely.

Ted Kanakos: I think when I was living at Red Mill Pond, to start 10-12 years ago, it was \$175 a quarter. Now, I'm not saying... I'm not justifying one penny that you get from us, but the idea is, it's reasonable when you live in a highly concentrated area that just through the economy of scale we should get a break. I think selling the plant, the way it was done, how it was done and things like this; if you look back probably what might have been done differently. I think you're stuck with the Public Service Commission, we're stuck with you, so we all have to go to this dance and be civil. I'd like to see the river gone, but I think you do a decent job and now maybe I can apply for a job with your... No. But that's what I'm saying, is that it's just the shock of increases. Everything's being increased and although we did have a five-year moratorium on that, so if you live here 10 years, you average it by 10 years. A lot of people see the good, bad and indifferent. It's still, you know, I'm a single person. I don't use that much water, but and I don't have to water my lawn and things like this. It's expensive and you're probably the biggest utility expense we have and the way it's gone about, it leaves a little bad taste, but I still think you do a fine job. I'd like you to be gone. But that's all I can say.

Jerry Esposito: Right. Thank you.

Ted Kanakos: Let's see how it works in through the Comprehensive Plan. This thing has to come out in the open and people have to know if it's reasonable to build in our expansion area. Are there other wastewater management companies around? I know there's one around, which was competitive I think for you, when you got the plant. Are they making inroads into our expansion area, you know, a couple of miles out of town in all directions? I know that Ellendale still... I have rental properties out there and we still have... well we have the sewer, because of a crisis. Our well is only 15' deep, so it was affecting the drinking water and they put that in from the County, through Georgetown...

Jerry Esposito: The County, through Georgetown, they have a sewer district that extends the line... again that was through a subsidy that I talked about before, because it was for a municipality.

Ted Kanakos: Could some of the over capacity that's coming into Milton be sent to down to the Rehoboth, to the other districts and you get a discount for volume, or something; which helps them build their plants? In other words, we off load some of our problems to the different municipality... if that's your philosophy. In an emergency, let's say.

Jerry Esposito: You've still got to build that pipeline. It's a long run and if you're going to do that, then that almost, if it's a back-up, you're almost duplicating the cost. Build it right, so we don't have to keep raising rates, finance it with as many people as we can, and then we don't have to worry about an emergency back-up, because the back-up is what, six miles away and that pipe, hopefully is never used, but you've got to pay for it.

Barry Goodinson: Alright. It's been a long night. Thank you again. We've learned a lot. As I said, the whole point of this is to just get as much information as possible and you certainly have given us a lot of information to work with.

Jerry Esposito: We're happy to come back and at a different forum, when I was prepared, I would be happy to bring experts on rate design, because that seems to be, unfortunately, the history here that we have to go through again and I'm happy to do that, it's just that it's complicated and you can't do that in this kind of a forum.

Ted Kanakos: You don't seem to have any control over things that are going up. That's the thing, we've lost control over.

Jerry Esposito: I understand. I'm a consumer too. I get, I'm just telling you, it's not like financing your car. It's just not that way and you can't explain it in a forum like this, when you're having questions thrown at you.

Barry Goodinson: Yes and that wasn't the intended scope of this conversation, so I'm sorry we got off topic.

Jerry Esposito: We're happy to have a separate workshop on that, if that will help and I'll bring my CFO down here and he is a national expert in this.

Barry Goodinson: Okay, great, thanks again.

Lynn Ekelund: Thank you.

Barry Goodinson: And aren't you glad that we're not doing water and electricity tonight?

6. Business – Discussion and possible vote on the following items:

- a. Review and update of the Town of Milton's Comprehensive Plan. The main topic of this hearing will be a discussion of the Town's Utilities. Discussions on other Comprehensive Plan related elements will be held if time permits.

7. Adjournment

Barry Goodinson: Can I have a motion to adjourn?

Ted Kanakos: Make a motion to adjourn.

Mark Quigley: Second.

Barry Goodinson: All in favor say aye. Opposed. Motion carried. Meeting adjourned at 8:57 p.m.