

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
December 4, 2018

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday the 4th day of December, 2018 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 9:08 a.m. with Morris Deputy, Chair, presiding.

The following roll call was presented:

Present:

Morris Deputy, Chairman
Representing Middletown
Tyler Reynolds, Alternate
Representing Middletown
Eric Norenberg, Director
Representing Milford
Gary Stulir, Director
Representing Smyrna
Charles Anderson, Director
Representing Seaford
June Merritt, Alternate
Representing Seaford
Pam Patone, Director
Representing the MSC of New Castle
Dr. Roy Sippel, Alternate Director
Representing the MSC of New Castle
Donna Mitchell, Director
Representing Dover
James Robinson, Alternate Director
Representing Dover
Tom Coleman, Director
Representing Newark
David Del Grande, Alternate Director
Representing Newark
Sue Muncey, Alternate
Representing Clayton
Patrick E. McCullar, President
Representing DEMEC

DEMEC Staff Attending: Kimberly Schlichting, SVP-Operations & Power Supply; Louis Vitola, VP-Finance; Heather Contant, Communications Specialist; Kendra Friel, Administrative Assistant/Training & Events Coordinator; Jennifer Coulbourne, IT System Administrator; Stephanie Dove, Manager of Accounting & Settlements; Steve Siok, Director of Beasley Plant

Operations & Compliance; Scott Lynch, VP of Asset Development; Emily Greene, Energy Services Manager

Guests and Attendees: Hannah Kirk, University of Delaware; Professor Jeremy Firestone, University of Delaware; Aaron Russell, University of Delaware; Donna Karas, C-Power; Bill Oosterom, C-Power; Max Walton, Connolly Gallagher

MINUTES

None.

APPOINTMENTS / ELECTIONS

None.

TREASURER'S REPORT

None.

PRESENTATIONS

University of Delaware – DEMEC Fellowship Student Research –

Mr. Scott Lynch, VP of Asset Development, introduced Mr. Aaron Russell. Mr. Russell is a Ph.D. student in Water Science & Policy at the University of Delaware (U of D). Mr. Lynch noted that per our agreement with the U of D to purchase renewable energy credits from the Lewes wind turbine, the U of D provides an annual update of graduate research, typically at the final meeting of the year.

Mr. Russell thanked DEMEC for welcoming him. He noted that the research and survey work relating to the offshore wind facility in Rhode Island had been discussed during last year's visit to DEMEC. This year, "place-meaning" and how it affects perception of the project were assessed. Due to more projects expected in the future, most specifically a large Maryland project, this information is very important to Delaware.

Per Mr. Russell, the three survey findings since 2016 showed strong support for offshore wind in Rhode Island; however, explanatory power was lacking, so in this third iteration of the survey, place-meaning (the attitudes, thoughts, feelings and associations one has when visiting a place) was explored. It is the intention of this survey to determine if consistency with place-meaning and view of the project could hold more promise. If the project view is consistent with place-meaning, are more people likely to support it? Signs from research have pointed to more explanatory power being found here.

Previously, factors of social interaction have been studied, including the perception of fairness of process, place-attachment (how attached are you?), place dependence (how dependent are you on the coastal environment to do things you enjoy?) and place identity (how you identify regarding this place?). Mr. Russell first focused on place-meaning, providing examples of the questions asked

to determine the most common place-meanings of the inhabitants. He noted that the top results reflected that beauty, recreation and family identification is very strong in Rhode Island, followed by social bonding and the ecology in general. It was found across the board that the project was seen as fairly consistent with the top place-meanings of those surveyed.

Mr. Russell concluded his presentation by informing those present that they are currently finalizing data analysis to determine how these results fit with previous survey results.

Professor Jeremy Firestone of U of D introduced Ms. Hannah Kirk. Professor Firestone noted that Ms. Kirk hopes to become a future fellow of DEMEC. He then gave an overview of the project in which he and Ms. Kirk are currently involved. This very large project is being undertaken in partnership with the Department of Energy Lawrence Berkley National Laboratory and one paper has been published, with three out for review. The project focuses on sound annoyance, sound monitoring and general attitudes. It is the largest cross-sectional study in world.

Ms. Kirk explained that the first graphic in the presentation outlined the preference of the participants when given the option to live closer to a wind project versus alternative forms of generation. She noted that through this research it has been determined that the majority of people prefer to live closer to wind generation than alternative generation sources such as nuclear, solar, gas and coal. Professor Firestone expressed the importance of this social acceptance research citing that the results will allow us to better determine what sort of generation to build. He also noted that those with a negative view on wind generation as a whole still preferred to live closer to a wind project rather than the alternative, with the exception of solar projects which were determined to be more desirable to the participants.

Professor Firestone offered to answer any questions. Mr. Jim Robinson, Alternate Director representing Dover, asked if the surveys were undertaken before or after the installation of the turbines. Mr. Russell indicated that the first survey was before, the second was just after generation began and the final took place approximately one year after installation. Mr. Robinson asked if the results shifted after each phase, to which Mr. Russell said they had shifted very little. Professor Firestone shared that a slight shift from leaning toward support to actual support of the project was seen. Mr. Russell offered to share data with Mr. Robinson should he like.

Mr. Tom Coleman, Director representing Newark, asked if a change in support was seen as those closer to the project were surveyed. Prof. Firestone noted that not much of a distance effect was seen. Mr. Morris Deputy, Chairman and Director representing Middletown, asked how far away the turbines could be heard. Prof. Firestone noted that based on environmental factors, the turbines could be heard from anywhere between $\frac{3}{4}$ and $1\frac{1}{2}$ miles away.

Mr. Eric Norenberg, Director representing Milford, asked if the perceptions of visitors were being surveyed. Professor Firestone noted that his colleagues in Rhode Island were undertaking such research. Mr. Russell noted that the turbines were featured on the Rhode Island tourism guide and that some influx of tourism strictly related to the installation has occurred. Mr. Coleman asked about the size of the turbines. Professor Firestone shared that the turbines were quite a bit larger than those in Lewes.

Mr. David Del Grande, Alternate Director representing Newark, asked Prof. Firestone to give an overview of the factors which identify a good site for placement of an offshore wind site. Prof.

Firestone noted that wind speed, shallow water, proximity to connection to the land-based grid and market prices in the area are all determining factors. He noted that the North East of the country has more ideal spots. Mr. Patrick E. McCullar, President & CEO of DEMEC asked if Professor Firestone has knowledge of any progress on the proposed transmission trunk line to facilitate that connection of multiple assets to shore. Professor Firestone stated that not much progress has been seen, citing difficulties with support of the Governor of New Jersey and tensions between the Atlantic Wind Connection and offshore wind developers. Mr. McCullar praised the efficiency associated with a trunk line but expressed his understanding that timing and capital are major players in the installation of such. Professor Firestone shared his belief that as generation projects move further off shore, the project will be more likely to see movement.

Mr. McCullar thanked Professor Firestone, Ms. Kirk and Mr. Russell, stating that the presentation was very interesting and informative.

Annual Demand Response – C-Power Report –

Mr. Lynch introduced Mr. Bill Oosterom, Account Executive with C-Power, to report on the DEMEC Demand Response program.

Per Mr. Oosterom, the program continues to be a success. During his presentation, the results of both the PJM capacity demand response program and the voluntary DEMEC program were reviewed.

PJM Program: Mr. Oosterom gave a brief overview of Demand Response – participants volunteer to curtail electric usage in response to the needs of the grid in order to avoid black and brown outs for an agreed upon yearly fee. He noted that while the program runs from May to June, obligation to curtail is from June to September only. He noted that an event can be called at any time, with a required response time of 30 minutes unless an extension is requested. Should no event be declared during the allotted timeframe, a one hour test event will be scheduled. Participants will be given a notice of seven to 10 days, and will still be paid for the full year. Mr. Oosterom was happy to report that 10 new clients registered during the last cycle, offering a significant amount of relief to the grid. For the fifth year in a row, there were no events. A successful test event was held on Tuesday, June 26, 2018.

Mr. McCullar took a moment to inform those present that C-Power's management of the program ensures that if some participants fall short, others with overages can cover the missing percentages, avoiding harm to the grid. Mr. Coleman inquired if additional funds were paid to those who experienced an overage. Mr. Oosterom said no, not during a test event. He went on to explain that should a real event take place, additional funds would be awarded. He also noted that all participants re-register each year and can change their commitments however they like.

DEMEC Program: In an attempt to capture the top five Coincident Peak (CP) hours, DEMEC calls Demand Response days on the days which are projected to put the most pressure on the grid. Participants are made aware of the opportunity to shed load on these days to earn additional money. These funds are paid by DEMEC based on DEMEC's commitment to the PJM program. This past year, DEMEC called 14 demand response days, capturing all five CP hours on June 18, August 27 & 28, and September 4 and 5. Bonuses were awarded accordingly.

Mr. Oosterom went on to report that the price amounts are set by PJM for the PJM program through the Capacity Auction process three years in advance. While this year's auction results were strong, next year reflects a significant reduction in pricing. Participants in the DEMEC program will be made aware of this decrease, and they will have the opportunity to reassess their commitments. The auction results increase slightly in the following year.

C-Power is currently working with DEMEC and the existing clients to adjust their Peak Load Contributions (PLCs), and should be finished by the end of January 2019. C-Power will then discuss changes with the incumbents. "Lunch and Learn" briefing opportunities and new prospect meetings for interested candidates will continue. Mr. Oosterom took a moment to remind the board that a customer does not need to be commercial or industrial to participate in the program. Municipalities can participate as well, citing that any entity with an electric account can be a participant in the program, and C-Power is happy to help set this up.

Mr. McCullar interjected to clarify that PLC is the individual entity's contribution to the peak load. He noted that as participants enroll, calculations are made based on the PLC and what percentage of that could be curtailed in the program. Mr. Oosterom assured everyone that ensuring each participant's ability to deliver upon their commitment is determined with the help of a C-Power engineer, making sure that all participants are set up for success.

Mr. McCullar informed the board that the program was started in 2011 and was designed with the additional incentive of DEMEC payment for actual performance on peak days because our ability to curtail on the five CPs saves money. Some of this savings is then shared with the participating customers. The PJM program does not require anything unless an event is called and events do not always capture the five peak hours of the year. DEMEC targets the most cost effective action for us. Per Mr. McCullar, C-Power has done very well. So much so, that when Mr. McCullar first spoke with AMP about their demand response program and was told how unsuccessful it was, he invited Mr. Oosterom to present on DEMEC's program, which was promptly adopted by AMP.

Mr. Coleman noted that several of Newark's water facilities are located in another service territory. He asked if two programs would be necessary. Mr. Oosterom noted that the Appoquinamink School District has a similar situation with some of their schools being in different service territories. He noted that C-Power manages all of their participants in one program.

FOIA Presentation – Max Walton –

Max Walton, General Counsel to DEMEC and Senior Fellow at the U of D Institute for Public Administration, introduced the basic provisions of the Freedom of Information Act (FOIA) as it relates to DEMEC. He noted that as a political subdivision of the State of Delaware, DEMEC operates more like a for-profit development corporation or the Port of Wilmington, engaging in proprietary activities. While DEMEC is subject to FOIA, exemptions are in place to protect proprietary and sensitive information. Mr. Walton explained that the DEMEC Board and any subcommittees appointed by the Board must post public notice of meetings and meet in public, but that staff interaction is not subject to FOIA. A general rule of thumb should be to address all FOIA requirements on a case by case basis.

DEMEC is different than most cities and towns due to the proprietary nature of its statutory authority. DEMEC is essentially a business entity which is subject to FOIA. FOIA guidelines require access to public records, but not all records are public records. Mr. Walton illustrated the point with a recent precedent-setting decision from the Office of the Attorney General.

Mr. Walton discussed several categories of exemptions, including trade secrets, commercial and financial information, security information and statutory exemptions.

Mr. Walton noted that items such as acquisition, sale or lease of property, strategy sessions related to attorney at law and potential litigation and personnel matters should only be discussed in executive session because they are not considered public record. Any item which has not yet been defined as public record can also be discussed in executive session.

Ms. Pam Patone, Director representing the MSC of New Castle, shared with Mr. Walton that when she brings results from meetings to her board, she shares what was discussed in the DEMEC general session in the MSC general session and what is discussed in executive session is shared in the MSC executive session. Mr. Walton agreed that this is the best course of action.

Mr. McCullar noted that this is how DEMEC recommends all information shared be handled.

Mr. Charles Anderson, Director representing Seaford noted that under FOIA, the government of Seaford is required to hold all public meeting in its jurisdiction. He asked if this was the same for DEMEC, and asked for a definition of the DEMEC jurisdiction. Mr. Walton noted that it is the same for DEMEC, but because DEMEC is owned by multiple municipalities, meetings can be held in any of their jurisdictions.

RESOLUTIONS

None.

COMMITTEE REPORTS

Executive Committee –

None.

Audit Committee –

None.

PRESIDENT'S REPORTS TO BOARD

Mr. McCullar noted that this meeting is falling much earlier in the month than usual, so most of the monthly reporting will be available at the next meeting.

Generation Project Report:

November has seen less generation than the rest of the year. Fremont has run most of the time, but Beasley has not been dispatched much in November. Beasley is fully winterized and ready to meet any cold-weather demand, as winter readiness protocols and fuel deliveries to fill both storage tanks were recently completed at the instruction of Ms. Kimberly Schlichting, COO-SVP of Operations and Power Supply.

Construction Project Status Report:

Middletown Transmission & Substation – None

Economic Development Projects:

Middletown Technology Center – None

Newark STAR Campus –

No update is provided but Mr. Coleman shared that the U of D announced that the Christiana Towers have been slated for decommission much earlier than anticipated, which will likely have an effect on the pace of development at the STAR Campus.

Legislative Status Report:

Ms. Schlichting reported that she and Mr. Lincoln Willis are scheduled to meet with Delmarva Power and Light next week to discuss potential Renewable Portfolio Standard (RPS) increases and DEMEC's proposed net metering amendments. Once more background is obtained, work on the whitepaper will begin.

Community Support/Charitable Contributions Policy:

Mr. McCullar presented the current draft of the Community Support/Charitable Contributions Policy for discussion and/or approval. All were in agreement that the policy could stand, once the requirement of council or board approval for each contribution was removed. Alternately, it was decided that approval for sponsorships and contributions would be presented to the board member for the community in question, who would make the final decision. It was also decided that an official donation request form be drafted to ensure a more efficient application process and that the policy would be subject to modification as needed.

The fair distribution of funds was discussed. It was decided that at this time it would be the responsibility of DEMEC staff to allocate funds fairly.

The budget for sponsorships was discussed and it was decided that the existing budget proposal is acceptable and may be raised during the year if necessary.

Upon motion made by Seaford to approve the Community Support/Charitable Contributions Policy with the proposed amendments, seconded by Newark, the motion passed unanimously.

Utility Best Practices Update:

Ms. Stephanie Dove, Manager of Accounting & Settlements, spoke on the current status of the project. She noted that data had been sent to the membership for review and all questions have been returned to the consultant. She encouraged anyone who has questions to reach out to her or the consultant.

Ms. Sue Muncey, Alternate Director representing Clayton, stated that the data she received was difficult to understand, noting that she was not aware of the source of the numbers for the report. Ms. Dove assured her that all data provided was based on the 2017 financials of each member, but noted that a number of other members had experienced the same difficulty. She indicated that for this reason, she intends to reach out to the consultant to facilitate a time to clarify for these members. Mr. McCullar suggested that a phone conference be arranged for those experiencing difficulty. Ms. Patone asked that those in charge of finance be included in the upcoming call with the hope that their expertise will assist in resolving any issues.

Mr. Anderson asked if all results would be made available for each community to view its strengths and weaknesses with respect to its peers. Ms. Dove noted that this is the ultimate goal of the project. She stated that once all issues have been worked through and each member signs off on the results, all data will be shared. She also indicated that DEMEC will develop training to assist the membership in any areas as needed.

2019 Budget:

Mr. McCullar noted that this would be covered in executive session.

AMI Updates:

Mr. Louis Vitola, VP of Finance, reported that in Milford, a significant number electric meters have been installed with those remaining being net meters. The installation of water meters is half complete. He noted that the NextGen technicians will move to Milford once they are finished with Seaford's installations. Seaford electric meter installation is virtually complete and water meters continue to be switched out.

Light Up Navajo:

Ms. Schlichting spoke on the Light Up Navajo initiative which had been introduced to the board last month. She noted that New Castle, Smyrna & Milford had expressed interest. At the request of the board, discussion of this subject was deferred to the December board meeting to allow the members time to consider the pros and cons of sending a DEMEC team.

Ms. Patone asked if funding for the initiative would fall under the newly established Community Support/Charitable Contributions Policy, to which Mr. McCullar replied affirmatively. He noted that the Navajo Tribal Utility Authority (NTUA) is still in the fledgling stages of the endeavor.

DEMEC's contribution would be determined based on the previously donated funds, the number of volunteers, time commitment and what the NTUA is able to cover. At this time, the NTUA have indicated they plan to cover lodging, food and transportation while onsite, but this is not set in stone.

Ms. Schlichting shared the contribution she felt would be necessary and noted that she would be meeting with Mr. Norenberg to further discuss Milford's participation the following week. Mr. Norenberg shared that four volunteers have been identified in Milford, but only two can be spared at a time. He feels that with the contributions already collected, Milford will be able to cover the two themselves. He also noted that since the initiative is expected to be ongoing for the foreseeable future, Milford will consider sending the other two volunteers during the second phase of the initiative as well. He did note that should an issue arise while these volunteers are away, Milford may need to call on other DEMEC members for mutual aid.

Mr. Coleman stated that while Newark cannot send volunteers, they are more than happy to help by providing backup to responding utilities as needed. Ms. Schlichting took a moment to let all interested parties know that the schedule for volunteers is filling quickly. Mr. Norenberg expressed his intention to have staff reserve dates for the Milford volunteers immediately.

Mr. McCullar asked for a motion to supplementally fund the attendance of volunteers, up to a predetermined amount, for the 2019 effort. The board approved funding from the Community Support/Charitable Contributions budget line item. Additional funds were approved for this budget line item to cover participation in the initiative.

Upon motion made by Newark to approve participation in the Light Up Navajo initiative, seconded by New Castle MSC, the motion passed unanimously.

Training / Education:

CDCC Mixer – November 28, 2018

Ms. Schlichting noted that the mixer was a success, drawing quite a large crowd. A connection was made during the event that may result in news coverage for DEMEC. Representatives from the media will be invited to visit DEMEC and tour the Beasley Power Plant and Smyrna Solar Farm in preparation the coverage.

DEMEC Holiday Open House – Tuesday December 4, 2018 –

Ms. Schlichting reminded the members of the luncheon to be held immediately after the board meeting.

Customer Service Program, Session 4 of 4: Technology – January 29, 2019 –

A reminder was given for this training.

Communications Update –

Ms. Contant reminded the members of the photo to be taken immediately after the board meeting on January 15. She also noted that should anyone need an updated headshot, she would be happy to take care of that as well. Ms. Contant also requested that each member continue to send photos of their communities to be displayed on the new DEMEC website, which is due to launch before the end of 2018.

Green Energy Program Status Report:

Renewable Energy Tracking – none.

Customer Sited Generation Policies – none.

Energy Efficiency Advisory Council (EEAC) – none.

Energy Efficiency Program Update –

Ms. Emily Greene, Energy Services Manager, noted that no update will be made, but representatives from the Efficiency Smart program will be visiting next week.

Demand Response Update –

Mr. Lynch revisited the success outlined in the presentation provided by Mr. Oosterom. Since inception during the 2011-2012 program year, your participating customers have received over \$2.8M in Program payments. All members were invited to join the program.

BUSINESS FROM THE FLOOR

Ms. Jennifer Coulbourne, IT System Administrator, stated that new iPads were being ordered to replace the old iPads which the board uses for BoardPaq. The old iPads are beginning to become obsolete and there are reports of apps not interfacing with the older version. She provided examples of cases for the board to consider. She plans to make the transfer to the new iPads at the January board meeting.

EXECUTIVE SESSION

The Board went into executive session at 11:05 a.m. upon motion by New Castle MSC, seconded by Seaford to discuss the following:

- a. To discuss personnel actions, strategic business and commercial generation operations, dispatch, negotiations and planning.

The Board ended the executive session and returned to regular session at 11:35 a.m.
No action was taken.

NEXT MEETING DATES

The following meeting dates were set:

Tuesday, February 19, 2019 – 10:00 a.m.

Tuesday, March 19, 2019 – 10:00 a.m.

Tuesday, April 16, 2019 – 10:00 a.m.

ADJOURNMENT

Upon motion by MSC of New Castle, seconded by Newark, the Board Meeting adjourned at 11:35 p.m.