

DELAWARE MUNICIPAL ELECTRIC CORPORATION  
REGULAR MEETING  
DEMEC ADMINISTRATIVE BUILDING  
SMYRNA, DELAWARE  
January 16<sup>th</sup>, 2018

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday the 16<sup>th</sup> day of January, 2018 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:00 A.M. with Dolores Slatcher, Chairwoman, presiding.

The following roll call was presented:

Present:

Dolores Slatcher, Chairwoman  
Representing Seaford  
Austin Calaman, Alternate Director  
Representing Lewes BPW  
Eric Norenberg, Director  
Representing Milford  
Chalea Johnson, Alternate Director  
Representing Smyrna  
Pamela Patone, Director  
Representing MSC of New Castle  
Roy Sippel, Alternate Director  
Representing MSC of New Castle  
Charles Anderson, Alternate Director  
Representing Seaford  
Donna Mitchell, Director  
Representing Dover  
Mary Ellen DeBenedictis, Director  
Representing Clayton  
Thomas Coleman, Director  
Representing Newark  
David Del Grande, Alternate Director  
Representing Newark  
Morris Deputy, Director  
Representing Middletown  
Tyler Reynolds, Alternate Director  
Representing Middletown  
Patrick E. McCullar, President  
Representing DEMEC

DEMEC Staff Attending: Kimberly Schlichting, SVP-Operations & Power Supply; Louis Vitola, VP-Finance; Steve Siok, Director of Beasley Plant Operations & Compliance; Scott Lynch, VP-Asset Development; Heather Contant, Communications Specialist

Guests Attending: Matthew Reid, Energy Coordinating Agency (ECA)

## **MINUTES**

The minutes of the following meetings were presented for approval:

1. Minutes of November 21, 2017 and December 5<sup>th</sup>, 2017
2. Executive Minutes – November 21, 2017 & December 5, 2017

Motion made by New Castle to approve the minutes of the regular and Executive (upon correction of typo in December 5<sup>th</sup> regular minutes) and seconded by Milford, the motion passed unanimously.

## **TREASURER'S REPORT**

Upon motion by MSC of New Castle, second by Newark, and unanimous approval without objection, the November 2017 financial statements were accepted.

## **APPOINTMENTS / ELECTIONS**

Mr. Patrick McCullar, President, raised the necessity of appointing a new chair of the DEMEC Board of Directors with the pending retirement of Ms. Dolores Slatcher, Director Representing Seaford on February 28<sup>th</sup>, 2019. Per Mr. McCullar, procedure dictates that the most senior member of the board is to be approached with this honor, therefore Mr. Morris Deputy, Director Representing Middletown was approached and expressed interest in serving. Mr. McCullar requested nominations from the floor, of which none were offered.

Upon motion by Milford, second by Clayton, Morris Deputy, Director representing Middletown, will be assume the role Chairman of the DEMEC Board of Directors on March 1<sup>st</sup>, 2018. The motion passed unanimously.

## **PRESENTATIONS**

Mr. Matthew Reid of the Energy Coordinating Agency (ECA) gave an overview of his organization and proceeded to speak on the efforts undertaken by the ECA in conjunction with the Sustainable Energy Utility (SEU). With funding from the SEU, ECA and Community Energy Centers (CEC) have created and manage four centers throughout DE (Wilmington, Georgetown, Dover and Newark). These centers focus of helping lower income families lower their utility bills through energy and budget counseling. Mr. Reid offered examples of the methods used which mainly revolve around energy efficiency – Weatherization, Energy Education, etc. He stressed that the goal of the ECA was to teach people to use less energy, resulting in lower bills, and subsequently ending the repeating cycle of late payments and shut offs.

Mr. Reid noted that his current focus was on marketing and outreach to grow and expose the program to those who would benefit. A number of board members requested examples of the marketing materials to be used in their communities. Prompted by a question from Eric Norenberg, Director Representing Milford, Mr. Reid noted that while there are currently only four centers, the

councilors do travel and arrangements could be made for them to meet with the customers of each utility onsite.

David Del Grande, Alternate Director Representing Newark, expressed his pleasure with the program stating that it had been very successful in his community.

A discussion was undertaken by Mr. Reid and various board members regarding ownership versus rental delinquency and the education of landlords on energy efficiency to which Mr. Reid replied that he would be happy to obtain more information.

With this, Mr. Reid concluded his presentation and thanked the board for their time.

### **RESOLUTIONS**

None

### **COMMITTEE REPORTS**

None

### **PRESIDENT'S REPORTS TO BOARD**

#### **Generation Project Report:**

##### Beasley-

Mr. McCullar reported that due to the recent cold snap, generation ran quite a bit. He reminded the board that during the winter months, we are restricted to oil fire generation, but noted that the Locational Marginal Price (LMP) during the one week period rose significantly. Mr. McCullar stated that DEMEC is preparing for the next cold shot by keeping ahead on fuel consumption and noted that other alternatives are being examined to become more secure with regards to fuel. Ms. Kimberly Schlichting, SVP of Operations and Power Supply, noted that permit limits on fuel oil usage, as well as driver time restrictions have been a challenge.

In closing, Mr. McCullar noted that operationally Beasley has had only a few minor outages which were resolved quickly.

##### Fremont -

Per Mr. McCullar, Fremont has been busy and running well, however LMPs have been lower than in past years. Due to the lower LMPs, the Spark Spread (the difference between what the market will pay versus the cost to generate) narrowed resulting in lower margins.

##### Laurel Hill Wind Farm -

Mr. McCullar stated that Laurel Hill posted successful results.

**Construction Project Status Report:**

Middletown Transmission & Substation –

Ms. Schlichting reported that work continues on right away, easement and acquisition. Per Mr. McCullar, all facilities are complete and once the aforementioned issues are settled, the project will move forward.

Seaford System Improvements –

Mr. Louis Vitola, VP of Finance reported that the budget for the project is currently being finalized. He also noted that the project is expected to finish on time and come in under budget. Mr. Vitola concluded his report by informing the board that the next project planning meeting will be held on Thursday.

**Economic Development Projects Report:**

Middletown Technology Center-

Mr. McCullar stated that the Middletown Technology Center is still in play. There are no official commitments, but a number of parties have expressed interest. Given the huge demand for data centers throughout the country it is inevitable that someone will utilize the spot. Mr. Deputy noted that commitments are expected soon.

Milford Bayhealth Hospital –

Mr. Eric Norenberg informed the board that on Monday, January 8<sup>th</sup>, 2018, the Milford City Council approved the development and energy services agreements allowing the project to proceed. It is projected that the hospital will be able to begin seeing patients the first part of 2019.

Mr. Thomas Coleman, Director Representing Newark, took this time to make the board aware of the expected growth of the University of Delaware. Mr. McCullar expressed an interest in speaking with Mr. Coleman about load pick up in order to make sure the growing need for power would be adequately covered. Mr. Coleman stated that he had met with Mr. Zach Platsis, Energy Manager, University of Delaware, who had stated that plans have been made to migrate some buildings onto the Electric Service Agreement (ESA). It was decided that Mr. McCullar and Ms. Schlichting would seek a meeting Mr. Platsis to discuss the needs of the university as they were already pushing against limits of the ESA.

**Legislative Status Report:**

Offshore Wind Working Group

Mr. Scott Lynch, VP of Asset Management, informed those present that the Offshore Wind Working Group had provided a progress report to the governor stating that no action was being taken at this time and that none was suggested. A range of options were given on how to proceed. They also noted that the task force had not been closed as of the issuing of the report, and may

decide to meet to discuss additional questions and points which had arisen. No future meetings have been scheduled at this time.

Mr. Lynch also noted that Deepwater Wind, the wind developer responsible for the Block Island Project in Rhode Island and who has recently been contracted by Maryland for this project, approached DEMEC with an idea and a nondisclosure agreement (NDA) has been requested. Mr. McCullar noted that DEMEC intends to meet with them to determine if it would be beneficial to take some MWs in this development area as it is built out for Maryland. Once the proposal has been received and analyzed, DEMEC will come back to the board with results.

**AMP Fremont Energy Center (AFEC) Participant Certificates:**

Ms. Schlichting reminded the board that the AFEC Participant Certificates had been sent via email and must be returned as soon as possible.

Mr. Dolores Slatcher, Chairwoman, inquired as to if the certificates had been reviewed by Mr. Max Walton, Legal Counsel for DEMEC to which Mr. McCullar responded in the negative. He noted that as these tax certificates are similar to those on bond issues, and the uses of the energy out of project is not considered private use. Mr. McCullar noted that the certificates had been reviewed by Saul Ewing and no issues were seen. As Saul Ewing is the Bond Counsel for DEMEC, Ms. Slatcher indicated that this was satisfactory but requested that the expiration date of the bonds be provided. Mr. McCullar agreed to verify the expiration date and inform the board.

**Additional Capacity – Fremont:**

Per Mr. McCullar, recent portfolio realignment among AMP members has opened up additional capacity from the AMP Fremont Energy Center (AFEC) for purchase. AFEC has always been a net positive contributor to our average variable cost (AVC) and to our capacity position, therefore the acquisition of additional output would be beneficial to DEMEC. A number of offers have been presented to DEMEC, each with different contingencies, which we do not feel are preferable. Mr. McCullar proposes that we speak with the offerors of AFEC capacity to obtain a specified amount at base cost. The idea of assignment fees and adders would only be entertained if the specified amount could not be obtained otherwise. Mr. McCullar requests that the board allow DEMEC to negotiate this purchase and only revisit the issue if the cost of purchase exceeds the base cost by more than 10%.

At this point, Ms. Slatcher inquires if there is a downside to this purchase. Mr. McCullar notes that should the asset not run, we would still be responsible for the debt service. He stated that this is a risk all utilities must take. AFEC has been very reliable and purchasing additional capacity will not increase our risk substantially.

Ms. Pam Patone, Director Representing the MSC of New Castle, inquired whether ACES was involved in the discussion when DEMEC discussed projections and calculations based on future load requirements. Per Mr. McCullar, DEMEC and ACES reviewed and discussed various options, such as new assets such as solar and hydro generators. This opportunity allows us to take a known asset with a known value and slightly increase our position.

Ms. Patone then asked for clarification of pricing in the offers. Mr. McCullar explained that fees would be negotiated in any purchase, so a base price estimate had been provided.

Mr. Coleman asked Mr. McCullar to elaborate on the previously discussed topic of margins reducing at AFEC, requesting specifically to understand the emerging trend. Mr. McCullar stated that in his experience, we are at the bottom of the spark spread curve and that it will not drop much more, citing that a number of PJM assets are scheduled to retire which will tighten up supply and push LMPs higher. In this situation we are trading the uncertainty of the market for more certainty at a good price. More capacity than the targeted amount could be purchased from AFEC, but it would not serve us to make Fremont too large a portion of our portfolio.

Mr. Norenberg asked for the ideal amount of exposure to be sought in the market, versus having assets such as Fremont. Mr. McCullar noted that this is entirely dependent upon the market, which is constantly changing. Mr. Norenberg then inquired if the high price of hydro was because of the debt service and if so, would the price not drop significantly once the debt service was satisfied, to which Mr. McCullar replied in the affirmative. He assured Mr. Norenberg that increasing renewable power sources in our portfolio is part of the DEMEC strategic plan, but at this time hydro is far too costly to pursue.

Motion made by Newark to approve the staff recommendation to purchase additional capacity from AFEC and seconded by Milford, the motion passed unanimously.

### **Training / Education:**

Ms. Schlichting offered a few brief reminders regarding DEMEC's presentation at the DLLG on January 25, 2018, the PJM 101 training to be held on September 11<sup>th</sup>, 2018 and board continuing education webinars which are available upon request. She also called the attention of the board to the provided document further detailing all upcoming training.

### **Communications Update**

Ms. Heather Contant, Communications Specialist, informed the members that their holiday displays should now be down and that preparations for the Earth Day display, which is anticipated to go up in March, are underway. She also noted that she will be reaching out for meetings with the communicators of each municipality to discuss the upcoming year. An invitation was extended to the board members to attend. In the spring, Ms. Contant plans to host a larger communications meeting here at DEMEC to which all communications representatives will be invited.

Mr. Norenberg asked Ms. Contant if the possibility of updating the DEMEC logo was being explored. Ms. Contant agreed to look into it.

### **Green Energy Program Status Report:**

Renewable Energy Tracking – no update

Smyrna Solar Project – no update

Customer Sited Generation Policies – no update

Energy Efficiency Advisory Council (EEAC) – no update

Energy Efficiency Program Proposal – no update

Demand Response Update –

Mr. Lynch, asked the board to sign the Demand Response documents he sent to them. The document in question is sent each year and allows DEMEC to represent each community with regards to demand response and ensures exclusivity.

### **BUSINESS FROM THE FLOOR**

None

### **EXECUTIVE SESSION**

The Board went into executive session at 11:16 am upon motion by New Castle, seconded by Middletown to discuss the following:

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

The Board ended the executive session and returned to regular session at 11:31 pm. No action was taken.

### **NEXT MEETING DATES**

The following meeting dates were set:

Tuesday, February 20, 2018 – 10:00 am

Tuesday, March 20, 2018 – 10:00 am

Tuesday, April 17, 2018 – 10:00 am

### **ADJOURNMENT**

Upon motion by Middletown, seconded by MSC of New Castle, the Board Meeting adjourned at 11:32 am.