

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
December 5th, 2017

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday the 5th day of December, 2017 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 9:05 A.M. with Dolores Slatcher, Chairwoman, presiding.

The following roll call was presented:

Present:

Dolores Slatcher, Chairwoman
Representing Seaford
Darrin Gordon, Director
Representing Lewes BPW
Austin Calaman, Alternate Director
Representing Lewes BPW
Eric Norenberg, Director
Representing Milford
Rick Carmean, Alternate Director
Representing Milford
Gary Stulir, 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; Shannon Maner, Energy Services Manager; Stephanie Dove, Manager of Accounting & Settlements; Heather Contant, Communications Specialist; Kendra Friel, Administrative Assistant.

Guests Attending: Timothy A. Frey, Saul Ewing; Mike Barnes, Saul Ewing; Max Walton, Connolly Gallagher; Christina Thompson, Connolly Gallagher; Dr. Cristina Archer, University of Delaware; Aaron Russell, University of Delaware; Christine Hirt, University of Delaware; Gwen Larson, University of Delaware; Patti McCune;

MINUTES

None

TREASURER'S REPORT

None

APPOINTMENTS / ELECTIONS

None

PRESENTATIONS

University of Delaware-DEMEC Fellowship Student Research –

Scott Lynch, VP-Asset Development, introduced guests from The University of Delaware to present on the University of Delaware-DEMEC Fellowship for Renewable Energy Research.

Ms. Christina Hirt, a Masters Student whose degree is in marine policy, presented her research regarding perceptions on fairness of process at the Block Island Offshore Wind Farm. Mr. Aaron Russell, a PHD Student working with January Firestone, noted that he is currently familiarizing himself with Ms. Hirt's research. He intends to continue the longitudinal survey and determine if people feel the turbines fit the environment and are liked.

Ms. Hirt began presenting her findings which indicate a significant positive correlation between community input and the planning process for the RI project. There was a very high perception of fairness of process in this scenario.

Ms. Hirt's second slide represented the change in perception of fairness after construction at Block Island. For each process, the fairness of process and project opinion both rose upon installation.

In her third slide, Ms. Hirt noted that when the planning process changed, the opinion of the project itself remained virtually the same. However, of those who did change their opinion, more began to adopt a positive view rather than switching to a negative one.

At this time Ms. Hirt closed her presentation. Mr. Patrick McCullar, President, thanked the students for the information presented and wished them continued success.

Ms. Kimberly Schlichting, SVP-Operations and Power Supply, inquired about discussions during the previous year regarding potential inland wind to which Ms. Hirt responded that she had no knowledge of this subject as she focused exclusively on offshore wind applications. Mr. Russell indicated that the discussions of the Offshore Wind Working Group are being followed by the researchers and the involvement of DEMEC was appreciated. He stated that future research is planned and a new project, currently in its early stages, is being undertaken to track the process of offshore wind and its effect on project viability.

Eric Norenberg, Director representing Milford, questioned how this research related to the wind working group, most specifically if the findings were transferable. Ms. Hirt stated that her research may help her determine how to improve Delaware's perception of this project and ultimately assist other areas of US to do the same.

At this time Dr. Christina Archer of the University of Delaware was invited to speak. Dr. Archer thanked DEMEC for their help and continued grant funding and introduced Ms. Gwen Larson, a PHD in Physical Ocean Science and Engineering, who took a few minutes to elaborate on her background. Dr. Archer noted that since they have just began they currently have no findings but are very excited to being their research.

Bond Counsel Series 2018 Update

Mr. McCullar introduced Mr. Timothy Frey and Mr. Mike Barnes, both of Saul Ewing:

Mr. Barnes took the lead on the update. He noted the financing process begins with the Project Purchase Agreements between DEMEC and the municipality in question. This document verifies that DEMEC is responsible for development and financing and that the municipality is responsible for payment. Once this document was in place, temporary financing was sought in form of Bond Anticipation Note which he explained is a draw down facility that allows you to "draw down" funds as needed for financing. Mr. Barnes noted that it is beneficial to borrow through DEMEC in this way, even though the municipalities are tax exempt as government entities, since it avoids possible bond limitations.

Permanent take out financing is also being sought during this process by seeking buyers for these bonds. To assist in this endeavor, DEMEC sought to be rated by credit rating agencies last week. Mr. Barnes stated that Saul Ewing is currently preparing the offering document which describes the security structure, projects and underlying payment obligations. The ultimate goal is to make DEMEC more beneficial to membership in the future by seeking ways to use the collective strength of DEMEC with regards to bond issues. The current plan has us going to market and closing in January, 2018 at which time interest rates will be set, and monthly charges that relate to the bonds will be available.

Mr. McCullar joined the conversation at this time. He stated that the current On Behalf Of financings are Limited Obligation financings meaning that they are currently limited to the revenue stream of the participants. This costs us in terms of interest rates. Currently, Full Faith and Credit Financing of DEMEC has an unknown effect. Once the reports from the credit rating agencies have been received, we will be better equipped to determine how beneficial Full Faith and Credit of DEMEC financings would be to the membership. Conversations will continue in the hope of evolving this benefit.

Ms. Pam Patone, Director representing the MSC of New Castle, requested clarification. Is there currently only one bond? To which Mr. McCullar responded in the affirmative. He then offered to provide additional detail if desired.

Mr. McCullar noted that in anticipation of new tax law, a major influx of advance refundings have been submitted resulting in a possible delay of the reports from the credit agencies.

Mr. Barnes offered to answer any questions about the change in tax law.

Mr. McCullar thanked Mr. Frey and Mr. Barnes and the presentation came to an end.

RESOLUTIONS

None

COMMITTEE REPORTS

None

PRESIDENT'S REPORTS TO BOARD

Generation Project Report:

Mr. McCullar reported that all generation assets are fully winterized and in ready mode, with expectations for dispatch during the following week as temperatures plummet. Beasley continues provide spinning reserves. Freemont continues to operate favorably. Laurel Hill Windfarm and both solar projects are producing as expected.

Construction Project Status Report:

Middletown Transmission & Substation –

None

Seaford System Improvements -

Per Mr. McCullar, the projecting is currently running on schedule and under budget.

Economic Development Projects Report:

None

Legislative Status Report:

HB-189 Pole Attachments –

Mr. McCullar introduced Mr. Max Walton and Ms. Christina Thompson, both of Connolly Gallagher to discuss moving forward with each municipality's local ordinances with regards to HB-189:

Ms. Thompson proceeded to discuss the memo and sample ordinance created by herself and Mr. Walton for the use of the membership when determining how to address the onslaught of wireless facility requests inside and outside of the public right of way. Ordinances created by Newark and AMP were used for guidance. Upon looking further, it was determined that creating a basic template for the use of everyone was virtually impossible. Due to each municipality's governmental role and regulatory authority, each ordinance must be customized by the respective municipality. In addition, Federal mandates come into play based on the type of application. Proprietary roles are also of concern. With all of these possible variances in mind, Mr. Walton and Ms. Thompson have created a sample ordinance which encompasses as much as possible, but must be adapted by each municipality to best suit their needs. The sample was not created to be an all-encompassing solution, but to reviewed and adapted to each member's needs. No proprietary items were addressed within.

Mr. McCullar expressed to the board that the document is meant to be used as a checklist when reviewing their own local regulations. Due to the complex nature, the document is not comprehensive as it does not included all possible ramifications.

Mr. Walton agreed that the process is very complicated and suggested each member determine exactly what they wish to do and then proceed to flesh out their ordinance keeping in mind the varying issues.

Ms. Thompson cited a webinar she took part in which examined various options with regards to the attachments. She strongly suggested that the municipalities think ahead as a number of companies seek contracts allowing multiple decades of use. Also, once requests begin to come in, they will come in quickly, with timelines in place. Ms. Thompson suggested that each municipality create a game plan before hand and identify one person to be the point in order to ensure consistency. Mr. Walton proceeded to add that there is an additional issue with exceeding deadlines as this could automatically deem the app approved.

Mr. McCullar stressed that with the technology curve, this situation is much different than it in the past. Technology is always changing, therefore multiple changes will most likely be made to the equipment during the course of any agreement. This must be considered before entering into any agreements. Will you set size limits? What regulations and restrictions will be set on equipment maintenance?

Ms. Thompson stressed that this is the very reason why all Federal mandates must be known and understood. The long term must be kept in mind. Many things can be controlled in the lease agreements. Make sure to assign someone to monitor and confirm that all Federal mandated and proprietary guidelines are being met.

Ms. Schlichting asked Ms. Thompson to explain to the members why they shouldn't just adopted the sample ordinances as is. Ms. Thompson noted that using any other ordinance is not favorable because there are various laws that limit other communities that may not be applicable to the DEMEC membership. Tailoring their own document may allow each municipality to approach issues in ways that other communities are denied.

Mr. McCullar added that this global template was created to help each municipality determine what works best for them. He offered to discuss in more detail during executive session or schedule a discussion at a later date, after the membership has had time to vet and identify discussion items. To which Ms. Dolores Slatcher, Chairwoman, stated she would be interested in doing the later.

Mr. Tom Coleman, Acting Director representing Newark, inquired as to whether DEMEC could create a check list to help staff review applications as they are submitted. Ms. Thompson suggested that the best course of action would be for each municipality to vet the process and create their own check lists. Any check lists created by DEMEC may not be all encompassing of each community. Also, pending legislation may affect how each member decides to proceed.

With this the discussion was closed.

Offshore Wind Working Group

Mr. Lynch reported that the Offshore Wind Working Group was still in the process of accumulating data, stating that large amounts of data, from Block Island and Europe, are being provide at each meeting and have yet to be completely analyzed. It has been decided that a progress report rather than final report will be prepared and submitted to the Governor as there has not been enough public input. A public meeting is to be held later this evening at the Lewes Public Library.

Mr. Lynch also noted that as a representative of DEMEC, he has reminded the Chair that The Public Service Commission does not regulate the municipalities. Each municipality is regulated by their local regulatory bodies. The Chair has assured Mr. Lynch this will be emphasized in future meetings.

With this, Mr. Lynch ended his presentation and offered to answer questions, of which there were none.

Training / Education:

Ms. Schlichting informed the board that DEMEC will be presenting at the Delaware League of Local Governments meeting on Thursday, January 25th, 2018. She also reminded the members that the Holiday Demonstration Tables should currently be set up and that Board Webinars are available upon request.

At this time, Ms. Schlichting asked Ms. Heather Contant, Communications Specialist present.

Ms. Contant informed the board that she and Mr. Lynch had recently been interviewed on 94.7, WDSB and 92.9, Tom FM. During these interviews Mr. Lynch and Ms. Contant spoke about the differences and benefits of LED lights versus traditional holiday lights. They also informed the listeners of coupons which DEMEC had made available through Ronny's Garden World to assist in transitioning to more efficient LED lights. Ms. Contant noted that an electronic copy of these coupons had been sent to the communications representative at each municipality. She also noted that she would be joining WDSB at the Walmart Super Center in Middletown supporting Operation Christmas Wish by sponsoring the eight o'clock hour on Saturday, December 9th.

Per the request of the board, Ms. Contant also noted that she had reached out to Ms. Pauline Morse of First State Community Action Council (FSCAC). Interest had previously been expressed in duplicating the relationship shared by FSCAC and Newark in other member communities. Ms. Contant and Ms. Shannon Maner, Energy Services Manager, have made plans to discuss further with Ms. Morse on Wednesday, December 6th, 2017, after which a summary of their meeting will be provided to the board. Ms. Morse will be invited to speak to the board at an upcoming meeting.

Green Energy Program Status Report:

Scott Lynch, Energy Services Manager, reported on Green Energy activities:

Energy Efficiency Advisory Council (EEAC) – no update

Energy Efficiency Program Proposal –

Per the board's request, Mr. Lynch noted that he reached out to Delaware Sustainable Energy Utility (DESEU) and has met with Mr. Tony DePrima to discuss how the SEU can make better efforts to assist the membership. More meetings are to follow.

Mr. Lynch also reached out to American Municipal Power (AMP) to verify that should the membership decide to pursue the Efficiency Smart Program with the four confirmed communities (MSC of New Castle, Clayton, Seaford & Milford) that the original terms would not change. It was confirmed that this is in fact the case and that the financial terms and rate will not change. Ms. Patone noted she would bring this up in her next council meeting. Mr. Eric Norenberg, Director representing Milford, asked how to proceed. Could a meeting be scheduled amongst the confirmed participants to discuss further? Mr. McCullar confirmed that that could be arranged. He also offered to recirculate the data provided by the SEU in order to assist the board.

At this time, Mr. Lynch made the board aware that AMP also noted that the program advertised was the basic program and, should a participant wish to do so, they can upgrade at any time during the contract.

Renewable Energy Tracking – no update

Smyrna Solar Project – no update

Customer Sited Generation Policies – no update

Demand Response Update –

Mr. Lynch reported as in years past, he will be approaching the membership in January, 2018 to confirm that DEMEC will remain their Demand Response provider.

BUSINESS FROM THE FLOOR

None

EXECUTIVE SESSION

The Board went into executive session at 9:58 am upon motion by Middletown, seconded by Clayton 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 10:46 pm. No action was taken.

NEXT MEETING DATES

The following meeting dates were set:

Tuesday, January 16, 2018 – 10:00 am

Tuesday, February 20, 2018 – 10:00 am

Tuesday, March 20, 2018 – 10:00 am

ADJOURNMENT

Upon motion by Middletown, seconded by MSC of New Castle, the Board Meeting adjourned at 10:47 am.