

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
February 20th, 2018

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday the 20th day of February, 2018 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:02 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
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
Jeff Hurlock, Alternate Director
Representing Clayton
Thomas Coleman, Director
Representing Newark
David Del Grande, Alternate Director
Representing Newark
Morris Deputy, Director
Representing Middletown
Darrin Gordon, Director
Representing Lewes BPW
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; Kendra Friel, Administrative

Assistant; Jennifer Coulbourne, IT System Administrator; Stephanie Dove, Manager of Accounting & Settlements

Guests Attending: Jaime Saylor, First State Community Action Agency; Paulene Morse, First State Action Agency; Patty McCune

MINUTES

Minutes of the Meeting of January, 2018 will be reviewed at the March, 2018 board meeting.

TREASURER'S REPORT

The Treasurer's Report for December, 2017 was presented for approval. Upon motion by MSC of New Castle, second by Dover, and unanimous approval without objection, the financial statements were accepted.

The Treasurer's Report for January, 2018 will be reviewed during the March board meeting.

APPOINTMENTS / ELECTIONS

None.

PRESENTATIONS

Ms. Heather Contant, Communications Specialist, introduced Ms. Paulene Morse to speak on her endeavors with the First State Community Action Agency (FSCAA).

Ms. Morse explained that the goal of the First State Community Action Agency is to promote accountability among habitually delinquent clients by providing them with the tools to lower their electric bills as well as budget their funds more effectively. This is accomplished through counseling and energy efficiency education. She reviewed various, money saving behaviors such as unplugging unused devices and the purchase of LED lightbulbs. She stated that the ultimate goal the FSCAA is to teach their clients accountability, resulting in fewer requests for monetary assistance.

With this, Ms. Morse concluded her presentation and the board thanked her for her time.

RESOLUTIONS

2018-1 Approving the Assumption of an Interest of the City of Hamilton, Ohio in the Fremont Power Sales Contract.

2018-2 Approving the Assumption of an Interest of the City of Dover, Ohio in the Fremont Power Sales Contract.

Mr. Patrick McCullar, President, spoke on the attainment of additional capacity from the AMP Fremont Energy Center. As discussed in the previous board meeting held Tuesday, January 16th,

2018, DEMEC approached multiple AMP members who were currently in the process of portfolio re-alignment, to negotiate the assumption of additional capacity interest in Fremont. A favorable deal was struck with Dover, Ohio and Hamilton, Ohio, resulting in the resolutions presented. The assumption of the capacity came at no cost to DEMEC. At their next board meeting, AMP will be waiving their right of first refusal to take on the capacity and will approve the transactions. Per Mr. McCullar, this will be a benefit to our portfolio. Fremont is the most efficient, low cost generation asset in our portfolio. The assumption of additional megawatts will improve our load obligation capacity hedge position. On a side note, in December AMP refinanced the debt supporting Fremont, resulting in savings, making this asset even more economic. Also, adding this additional capacity will result in a reduction in our market purchases; lowering the Average Variable Cost of our portfolio. This acquisition puts us at the capacity position we had originally desired in 2012 when interest in Fremont was originally sought.

At this point Mr. McCullar offered to answer questions.

Mr. Thomas Coleman, Director representing Newark, referenced Mr. McCullar's statement regarding the spike in market pricing during the month of December. Mr. Coleman inquired if we had purchased any of that power. To which Mr. McCullar responded that we had not, noting that our Fremont and Beasley assets were largely responsible for avoiding those higher costs. He went on to say that the acquisition of additional megawatts from Fremont will continue to help us avoid those situations.

Mr. Eric Norenberg, Director representing Milford, inquired of the effective date of the acquisitions. Mr. McCullar stated that once the AMP resolutions were passed and the cities of Hamilton and Dover passed ordinances authorizing the transactions, and various attorney's opinions were issued, the transaction would be final. Probably in 30 to 60 days.

Ms. Pamela Patone, Director representing the MSC of New Castle, inquired as to whether all AMP members were able to sell their available capacity. Mr. McCullar explained that there were not enough buyers to purchase all of the offered capacity.

Mr. David DelGrande, Alternate Director representing Newark, asked if it was normal to charge an assignment fee to which Mr. McCullar responded in the affirmative. Mr. DelGrande was pleased that a fee was not incurred, but asked why. Per Mr. McCullar, since there was significant competition on the sell side, offering an assignment fee of zero was the best opportunity for the sellers to "sell" their excess capacity and decrease their long-term cost by reducing the size of their supply portfolios. Therefore, the fees were waived to make their transaction more desirable.

With this the conversation was ended and the resolutions were submitted for consideration.

Upon motion by Milford, second by Middletown, and unanimous approval without objection, resolution 2018-1 was accepted.

Upon motion by Lewes BPW second by Milford, and unanimous approval without objection, resolution 2018-2 was accepted.

2018-3 Authorizing Implementation of the DEMEC Energy Efficiency Program

Mr. McCullar presented resolution 2018-3 authorizing the implementation of a DEMEC Energy Efficiency Program. Mr. McCullar, stated that this program will benefit the membership by focusing on reducing demand and consumption, resulting in a reduction in capacity obligation & transmission. If significant reductions are seen over the three year period, we will be in a very favorable position.

Additionally, the program is seen as an important tool for economic development and customer retention. The Energy Efficiency Program places engineers at our disposal who will be able to analyze the energy usage of customers and recommend more efficient methods, resulting in lower costs to the customer. This strengthens the relationship between the utility and their customer, and gives plant managers who are expected to reduce costs the tools to do so.

It was recommended that the board adopt a resolution authorizing DEMEC to enter into a contract with AMP's Efficiency Smart Program on a three year basis. After the three years have passed, an evaluation will be completed and if the program has been determined to be of a net benefit, extension will be considered.

Mr. Darrin Gordon, Director representing Lewes BPW, noted that his board has already declined participation. He inquired if fees for the implementation of the program would be imposed on Lewes BPW. Mr. McCullar stated that the program is currently in the power supply portfolio, so no fees would be incurred by any of the membership.

Ms. Dolores Slatcher, Chairwoman, asked how this program compares to the services offered by the Delaware Sustainable Energy Utility (DESEU). Mr. McCullar assured her that analyses had been undertaken and while there is some overlap, many of the benefits of the program are not available in with the DESEU. Mr. Scott Lynch, Vice President of Asset Development, offered examples of the additional services offered in the Energy Smart Program. Mr. McCullar offered to redistribute the analysis to the board for further information.

Mr. Gordon inquired if DEMEC had extended an invitation to Mr. Tony DePrima, Executive Director and CEO of DESEU, to present on this subject. Mr. Lynch noted that Mr. DePrima was slated to speak at the board meeting in March.

Ms. Patone inquired as to how quickly the program would be implemented for those who have chosen to participate. Mr. Lynch stated that the average time frame for full implementation was three to four months. Ms. Patone noted that she was eager for implementation as having another partner at the table when in discussion with her large customers would be of great benefit to the MSC of New Castle.

Mr. DelGrande asked if service fees will change as more members enroll. Mr. McCullar noted that fee was fixed and budgeted for.

Ms. Donna Mitchell, Director representing Dover, took this time to inform the board that Dover is in the process of completing a rate design and study as well as a utility management and

benchmarking study. Once the studies have been completed and analyzed, Dover may consider joining the ranks of the members who will be implementing this program. With this, the discussion ended and resolution 2018-3 was submitted for consideration.

Upon motion by Milford, second by the MSC of New Castle, carried by the majority. Opposed by Lewes BPW.

COMMITTEE REPORTS

Executive Committee – none

Audit Committee – meeting on the Thursday per Ms. Patone.

PRESIDENT'S REPORTS TO BOARD

Generation Project Report:

Beasley- Units fully available

Fremont- Per Mr. McCullar, nothing further to add.

Laurel Hill Wind Farm – Units fully available

Construction Project Status Report:

Middletown Transmission & Substation –

Mr. McCullar reported no changes since last meeting.

Seaford System Improvements –

Per Mr. McCullar, project is continuing on schedule and under budget

Legislative Status Report:

Offshore Wind Working Group

Per Mr. Lynch, the group is still convened, but no meetings are currently planned.

Proposed RPS Increased Mandates:

Mr. McCullar addressed the board regarding a draft bill which will increase renewable portfolio standard (RPS) requirements significantly, specifically regarding solar. Also, the bill would only allow solar located within the borders of the State of Delaware to qualify. This will be burdensome to rate payers within the state. Closing of the borders will destroy the current market. The cost to generate a solar renewable energy credit (SREC) will increase substantially. DEMEC recommends that the board oppose the RPS amendment specifically on the issue of closing the borders.

Ms. Slatcher raised the issue of the effect on distribution systems and circuits. It was further discussed who would be responsible for paying for the system improvements and enhancements necessary to accommodate intermittent generation resources. Ms. Slatcher offered that the solar customers should be partially responsible for the implementation of these enhancements. Per Mr. McCullar, current legislation does not provide for this, therefore it should be offered in.

Mr. Coleman inquired about more information on the option of a comparable program being implemented by DEMEC and whether or not the borders would be open to us. Per Mr. McCullar, that has yet to be determined. He noted that DEMEC is working with legislative experts to determine what that would mean for our members. It was the opinion of Mr. Gordon that the draft bill would be presented and that rejection entirely would not be helpful. He recommended compromise should be sought. Various suggestions were made on offers and counters that could be made during discussions.

It was decided that DEMEC would not entirely reject the bill, but will offer suggestions for improvement. An offer of a summary of discussion points was made by Mr. McCullar in order to assist with discussions.

Legislative Highlights:

Mr. McCullar called the attention of the board to the legislative highlights provided by Mr. Bob Maxwell, President of Maxwell & Associates. No questions were posed.

Training / Education:

Ms. Kimberly Schlichting, VP of Operations & Power Supply, introduced the newly created Training Calendar and Schedule implemented to keep members apprised of upcoming training opportunities at a glance. A PDF of the calendar will be submitted to the members after the meeting.

Joint Council Briefing –

Ms. Schlichting indicated that a survey of possible dates would be submitted shortly for this annual event. It was decided by the board that late May was preferable.

DPL/DEMEC Administrative Meeting -

To accommodate our members, the meeting will be held at the DEMEC Training facility on April 12th, 2018.

DEMEC Day -

Event will be held on April 25th, 2018. As in years past, DEMEC will set up an informational table on the second level outside of the Governor's office. All board members are welcomed to join. There will be a meeting with the governor immediately following.

Lineman Training –

We are currently working on bringing in-house linemen training at the DEMEC Training Facility. More information will follow as it becomes available.

Legislative Luncheon –

A newly established event being held on June 5th, 2018. Lunch will be provided by DEMEC to our legislators at Leg Hall. As the event draws near, we will be reaching out to board members to help meet and greet.

PJM 101-

This session will be brought to the DEMEC Training Facility on Sept 11th, 2018. PJM only offers this course offsite twice this year, both requiring travel out of state. DEMEC is fortunate to bring this very informative and difficult to obtain course in-house to accommodate our membership. It is highly recommended that your councils and involved staff attend. This session is an excellent overview of the regional transmission organization (RTO) and how it operates.

Communications Update

Ms. Heather Contant, Communications Specialist, called the attention of the board to a memo she prepared. Her brief overview included updates on the Earth Day table displays currently being prepped, which are expected to be completed in early to mid-March, and her individual meetings with communicators from each municipality. She also took this time to speak on the quarterly Communications Meeting DEMEC is hosting at their Training Facility on April 3rd, 2018. She noted that this meeting will be focused on developing an outlook for the remainder of the year. New informational materials will be provided during this meeting.

Ms. Contant also noted that now would be the time to reserve billboard locations for our Public Power Week promotion in October. She also revisited the topic of a spring campaign, which had been discussed in a previous board meeting. The board has agreed to run with the Public Power Week billboards. Options for the spring campaign were discussed and it was decided that ideas for the billboards would be forwarded to the board for review and comment.

Green Energy Program Status Report:

Mr. Lynch offered the following:

Renewable Energy Tracking –

Mr. Lynch noted the importance of the provided tracking template and asked members to continue to send.

Smyrna Solar Project –

A kick off meeting will be held March 8th, 2018 here in the DEMEC Training Facility.

Customer Sited Generation Policies – no update

Energy Efficiency Advisory Council (EEAC) –

Mr. Lynch reminded the board of the honor granted to DEMEC of being the first in the state of Delaware to have verified and measured energy efficiency savings with our LED streetlight program. He asked that each member forward an overview of any energy improvements completed within their communities. He then offered research the necessary steps to have these initiatives measured and verified as well. He noted that the act of monitoring and verifying is very important to help track the savings produced by each improvement.

Energy Efficiency Program Proposal – no update

Demand Response Update –

Mr. Lynch noted that Demand Response year begins on June 1, 2018. He asked that the members forward the names of anyone they would like to have added to program. He stressed the importance of filling out the applications and the exclusivity requests which allow DEMEC to be named sole provider. He also stressed that it was very important that any third parties who participate must fill out these documents.

BUSINESS FROM THE FLOOR

Ms. Schlichting took this time to introduce a new addition to the DEMEC staff, Ms. Jennifer Coulbourne, IT System Administrator. Ms. Coulbourne came to us from the Town of Smyrna and offers 22 plus years of experience in IT.

EXECUTIVE SESSION

The Board went into executive session at 11:14 am upon motion by Newark, seconded by New Castle 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 11:50 p.m.
No business was presented.

NEXT MEETING DATES

The following meeting dates were set:

Tuesday, March 20th, 2018 – 10:00 a.m.

Tuesday, April 17th, 2018 – 10:00 a.m.

Tuesday, May 15th, 2018 – 10:00 a.m.

ADJOURNMENT

Upon motion by Middletown, seconded by MSC of New Castle, the Board Meeting adjourned at 11:52 am.