

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
October 16, 2018

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday the 16st day of October, 2018 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:00 a.m. with Morris Deputy, Chair, presiding.

The following roll call was presented:

Present:

Morris Deputy, Chairman
Representing Middletown
Eric Norenberg, Director
Representing Milford
Rick Carmean, Alternate Director
Representing Milford
Gary Stulir, Director
Representing Smyrna
Charles Anderson, Director
Representing Seaford
Charles Anderson, Director
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
Austin Calaman, Alternate Director
Representing Lewes BPW
Mary Ellen DeBenedictis, Director
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; 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: Jenn Anderson, Milford

MINUTES

The minutes of the following meetings were presented for approval:

1. Minutes of the Meeting of September 19, 2018

Upon motion made by MSC of New Castle to approve the minutes of the meeting of September 19, 2018, seconded by Clayton, the motion passed unanimously.

APPOINTMENTS / ELECTIONS

None.

TREASURER'S REPORT

Mr. McCullar reported on the August and September 2018 Financial Reports, noting that DEMEC is exceeding year-to-date budget targets after strong generation in August and September contributed significantly to the positive margin. Mr. McCullar offered to answer questions; none were presented.

Upon motion made by Newark to accept and approve the August and September 2018 Financial Reports, seconded by MSC of New Castle, the motion passed unanimously.

PRESENTATIONS

None.

RESOLUTIONS

SVP Schlichting offered Resolution 2018-7: Adopting a Fuel Oil Authority Matrix for the Risk Management and Trading Authority Policy. She reported that it was deemed necessary to add the Fuel Oil Authority Matrix to the existing Policy because DEMEC needed to define the authority of various parties to transact in fuel oil for the Beasley Power Station. Ms. Schlichting answered several questions from board members.

Upon motion made by Newark to Adopt Resolution 2018-7, seconded by Milford, the motion passed unanimously.

COMMITTEE REPORTS

Executive Committee –

Mr. Eric Norenberg, Director representing Milford, reporting in the absence of the Executive Committee Chair Darrin Gordon, stated that the Executive Committee had several workshop sessions over the past two months and had recommendations to the Board. Mr. Norenberg stated he recommended \$20,000 be added to the 2019 budget for the hiring of a consultant to make a review of the current state of the Company and make recommendations. Director Patone asked if there was a scope for the review. Director Norenberg stated he would prepare a scope writeup for the next meeting. Additionally, Director Norenberg recommended a review of the Articles of Incorporation and the By-Laws because they have not been updated since the creation of the company in 1979.

Audit Committee –

None.

PRESIDENT'S REPORTS TO BOARD

Generation Project Report:

Mr. McCullar reported that all assets have been fully available and operational during August and September with a significant number of hours dispatched. The President reviewed the YTD Generation History Graphs with the Board. He noted that more detail would be provided in executive session.

Construction Project Status Report:

Middletown Transmission & Substation –

Mr. McCullar reported that easement issues regarding right-of-way for transmission lines are being sorted out and that Delmarva has completed construction of the substation point where the lines will connect. Additional details will be presented in executive session.

Economic Development Projects:

Middletown Technology Center – None

Newark STAR Campus –

Mr. McCullar noted that development is moving rapidly. Mr. Tom Coleman, Director representing Newark, noted development in the STAR Campus was exceeding expectations and advancing at a more rapid pace than expected.

Mr. McCullar inquired whether any other members had projects on which they would like to report. No new projects were presented.

Legislative Status Report:

Mr. McCullar indicated that there are no new items to report and informed the members that Mr. Lincoln Willis, Principal of The Willis Group and DEMEC Lobbyist, had recently provided a legislative calendar to the membership. Ms. Schlichting reported on her recent meeting with representatives of the Delaware Electric Cooperative. She was seeking support from the Cooperative for DEMEC's proposed net metering changes. She reported that while the Cooperative will not oppose, it declined to actively support the changes.

Community Support/Charitable Contributions Policy:

Mr. McCullar noted that the policy is currently being drafted and that he hopes to have something to present at the November, 2018 board meeting.

Utility Best Practices Update:

Ms. Stephanie Dove, Manager of Accounting and Settlements reported on the status of the project, adding that she is still in the data collection stage but has received most of what is needed. She noted that questions have been submitted to Mr. Shpigler and his responses have been returned.

Director Patone asked if a preliminary report would be presented prior to the release of the final report so that we could discuss and prepare responses. She stated it was important to review before final release because consultants often have incorrect data and arrive at incorrect conclusions. Mr. McCullar agreed that it was important for Board members and staff to review and understand the report before final release.

SCADA Upgrades:

Ms. Dove reported that all instrument upgrades have been installed, those in Beasley being the last. The equipment has been calibrated and is communicating correctly. She noted that the project wrapped up \$11,000 under budget. Mr. McCullar stated the accuracy and timeliness of the data is critically important. DEMEC must bid in aggregate member load to PJM every day and the new equipment will assist us in reaching a target of limiting forecast error to $\pm 3\%$.

Reserve Fund Recommendation

Mr. Louis Vitola, VP of Finance, reported on his recommendations for investments because DEMEC now has significant reserves to invest and the interest rates are increasing significantly. His recommendation is designed to earn increased interest income without exposing the Company funds to any significant operational or market risk. This initial recommendation is conservative, and the investments will be reviewed and adjusted as we gain experience going forward.

Director Patone stated she was uncomfortable voting on the investments without her digging into details. Director Del Grande asked if this investment would violate any member investment policies. Mr. Vitola stated no, that DEMEC was a separate entity from the members. Director

Patone feels the board has a fiduciary responsibility to review and feels we need an investment committee to oversee the investment strategy of the company. Director Donna Mitchell suggested the VP Finance manage the investments and a quarterly report be sent to the board. Director Patone would be comfortable with that.

Upon motion made by Seaford to adopt the investment recommendation and require a quarterly investment report be made to the board going forward, seconded by New Castle, the motion passed unanimously.

AMI Updates:

Mr. Vitola made a presentation on Milford and Seaford AMI projects. He reported both projects are moving forward with replacement of electric and water meters. Representatives from AMP are working with Milford's billing software vendor to resolve some software integration issues. Mr. McCullar advised the Board that it was important to recognize that Seaford and Milford are the first AMP AMI projects to undertake both electric and water meters, so there will be some new issues and bumps to deal with. AMP has made a 10-year contractual commitment to the AMI systems, so we can expect follow-through and excellent support.

Training / Education:

Ms. Schlichting reported on the training that was made available to the members since the last board meeting and provided information on upcoming training opportunities.

- The first IT Roundtable session has been scheduled – Ms. Schlichting encouraged the members to have their staffs attend the November 5, 2018 event. This will be an on-going event for DEMEC's IT Administrator to work closer with the members' IT staffs.
- Public Power Week – October 7-13 was a resounding success again this year with billboards, displays, banners and activities within member communities.

Communications Update

Ms. Contant reported that Public Power Week went very well. She reported on the value of the radio clips and interviews which were heard state-wide. Economic Development pages for each member community will be hosted on the new DEMEC website.

Junior Achievement Job Shadow –DEMEC hosted 20 high school students on Thursday, October 11. Ms. Contant distributed a report with photos to the board members.

LED holiday lights demo tables are being deployed to each member. Members asked when to put out the table displays. Ms. Contant stated the last week of November.

Storm Prep Kit raffles have produced some great pictures of customers interacting with our community utility folks.

Mr. McCullar and Ms. Greene represented DEMEC at the UD Coast Day event.

Lineman Training Program

Director Coleman raised the need for DEMEC-sponsored Lineman Training, which generated a lively discussion on the subject. Ms. Schlichting has tried to get this concept moving for several years. The costs could be reduced, and quality of training increased by having a central training facility and programs for our members. She stated a member taskforce should be formed to address the issues and challenges of this project. Mr. Jim Robinson volunteered to share his New England Public Power training program experiences.

Green Energy Program Status Report:

Renewable Energy Tracking – none.

Customer Sited Generation Policies – Mr. Lynch wants to discuss interconnection costs with members to advance potential projects. He will be approaching all in the near future.

Energy Efficiency Advisory Council (EEAC) – none.

Energy Efficiency Program Update –

Ms. Greene reported that she had been out with Efficiency Smart staff to visit with five different communities and has completed two C&I projects and new participation agreements with key account customers. DEMEC has reached 37% of the three-year target. We have had several meetings with Delaware SEU to work collaboratively on community projects, currently working with Milford.

Demand Response Update – none.

BUSINESS FROM THE FLOOR

None.

EXECUTIVE SESSION

The Board went into executive session at 11:55 a.m. upon motion by Milford, seconded by Newark 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 12:20 a.m.
No action was taken.

NEXT MEETING DATES

The following meeting dates were set:

Tuesday, November 20, 2018 – 10:00 a.m.

Tuesday, December 4, 2018 – 9:00 a.m.

Tuesday, January 15, 2019 – 10:00 a.m.

ADJOURNMENT

Upon motion by MSC of New Castle, seconded by Dover, the Board Meeting adjourned at 12:21 p.m.