

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
June 25th, 2019

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday the 25th day of June 2019 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:01 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
Mark Whitfield, Alternate
Representing Milford
Charles Anderson, Director
Representing Seaford
Pam Patone, Director
Representing the MSC of New Castle
Dr. Roy Sippel, Alternate
Representing the MSC of New Castle
Donna Mitchell, Director
Representing Dover
James Robinson, Alternate Director
Representing Dover
David DelGrande, Alternate
Representing Newark
Mary Ellen DeBenedictis, Director
Representing Clayton
Gary Stulir, Director
Representing, Smyrna
Chalea Johnson, Alternate
Representing Smyrna
Darrin Gordon, Director
Representing Lewes BPW
Austin Calaman, Alternate
Representing Lewes BPW
Patrick E. McCullar, President
Representing DEMEC

DEMEC Staff Attending: Kimberly Schlichting, COO/SVP Power Supply; Heather Contant, Director of Media Relations & Communications; Stephanie Dove, Manager of Accounting & Settlements; Scott Lynch, VP of Asset Development; Stephan Siok, Director of Beasley Plant Operations & Compliance

Guests and Attendees: William Gallagher, Electric Superintendent, City of Milford; Max Walton, Connolly Gallagher; Matt Harline, Assistant City Manager, City of Dover; Patty Cruz, Vice President of Consulting and Training, Hometown Connections

MINUTES

The minutes of the following meetings were presented for approval:

1. Minutes of the Meeting of May 21, 2019
2. Minutes of the Special Board Meeting of May 28, 2019

Upon motion made by MSC of New Castle to approve the minutes of the meeting of May 21, 2019, and the special meeting of May 28, 2019, seconded by Milford, the motion passed unanimously.

TREASURER'S REPORT

None.

APPOINTMENTS / ELECTIONS

None.

PRESENTATIONS

None.

RESOLUTIONS

None.

COMMITTEE REPORTS

Executive Committee –

Mr. Darrin Gordon, Director representing Lewes BPW and Chair of the Executive Committee, shared that a number of action items are currently being undertaken and they will be presented to the board once finalized.

Audit Committee –

Ms. Pam Patone, Director representing the MSC of New Castle and Chair of the Audit Committee, reported on the recently completed Request for Proposal (RFP) for auditing services for DEMEC. She noted that two very good candidates were identified, one being Baker Tilly, our current auditor and the other a less experienced firm. The new auditor came in well below the quoted price of the Baker Tilly. Recognizing the practice of companies attempting to “buy” business by offering dramatically lower pricing, it was decided that an interview with the new prospect would be scheduled. It is the opinion of the committee that while the new prospect exhibits much less experience with joint action agencies, the potential to learn is there. The interview was very positive, and the committee resolved to recommend securing their services for a contract of three years. After this conclusion had been reached, new information regarding the timeliness of reporting by the new prospect, offered by one of their referrals, came to light. Since the information was not received and fully vetted by the Audit Committee before the decision to proceed had been made, the recommendation is now to seek a 1-year contract with Baker Tilly and resume the RFP process in 2020. Ms. Patone acknowledged the concern of DEMEC staff regarding tackling the process again and assured those present that the Audit Committee will make themselves available to offer support and assistance where needed. Baker Tilly has agreed to a 1-year extension and lowered their price in exchange for no preliminary fieldwork will be completed onsite. The recommendation to proceed with the 1-year extension was echoed by Mr. David Del Grande, Alternate representing Newark and Audit Committee member.

Mr. Pat McCullar, President and CEO of DEMEC inquired of Mr. Del Grande if Newark had experienced any issues with the prospective auditor as they are currently using their services. Mr. Del Grande responded that all deadlines have been met, but there have been issues in doing so. He noted that DEMEC’s aggressive timeframe of three months for the audit may be a challenge for this auditor.

Mr. McCullar asked why a 1-year extension was sought instead of seeking another 3-year contract with Baker Tilly. He also asked if the offered discount would be for only the first year or for all three should the contract be renewed. Ms. Patone stated that the discount was offered after discussions on the preliminary fieldwork were completed, she noted that the discount would indeed be for 3 years.

Ms. Patone added that when Baker Tilly had originally been secured as the DEMEC auditor, their expertise with joint action agencies and municipal utilities was invaluable, therefore, paying premium pricing for their services was necessary. The committee feels that taking advantage of the savings offered by other firms is preferable now, given how far DEMEC has come. The right practices have been implemented and staff has mastered the process. Mr. Gordon inquired as to how many years Baker Tilly has been the auditor of DEMEC. Ms. Patone informed him that with the extension, they will have been the auditor for 7 years. Mr. Gordon then expressed his support for the decision of the Audit Committee, stating that fresh eyes were needed.

Upon motion to accept and implement the suggestions of the Audit Committee made by Seaford, seconded by Lewes BPW, the motion passed unanimously.

PRESIDENT’S REPORTS TO BOARD

Per Mr. McCullar, staff will be standing on all reports to allow time for the Business Model Assessment presentation. He invited the members to ask any questions they may have.

Generation Project Report:

None.

Construction Project Status Report:

Middletown Transmission & Substation –

None.

Economic Development Projects:

Middletown Technology Center –

None.

Newark STAR Campus –

None.

Legislative Status Report:

Mr. Charles Anderson, Director representing Seaford, asked for an update on the expected Renewable Portfolio Standard (RPS) legislation. Ms. Kimberly Schlichting, COO/SVP of Power Supply, stated that the proposed legislation is expected to be introduced at the 11th hour, as was done last year. She encouraged all members to be vigilant. She assured all when it is presented, DEMEC will once again issue a “Call to Action” and organize to block the legislation. As of today, no new information has been received by DEMEC and the proposed draft legislation has not been provided for review. It is the opinion of some that the legislation will be introduced but shut down and a working group will be created to address concerns once session ends.

RP3 Application Update:

None.

Business Model Assessment Update:

Will be covered in Executive Session.

Joint Lineman Training Yard:

None.

Training / Education:

Hurt-man Rescue Training - Tuesday, June 25, 2019 (*Onsite during this meeting*)

Ms. Schlichting invited the members to visit the training area after the meeting. She noted that it is very well attended, with 27 participants from 6 member communities. She advised the board that the creation of a permanent training yard is still being pursued. She asked all present to forward any training requests they may have.

Mr. Gary Stulir, Director representing Smyrna, took a moment to thank DEMEC for undertaking such training, noting that it is needed and appreciated.

Joint Council Briefing – Wednesday, May 22, 2019

DEMEC Legislative Luncheon – Thursday, June 6, 2019

APPA National Conference – June 7-12, 2019

Community Outreach Webinar – Tuesday, July 16, 2019 (*Immediately following board meeting*)

Efficiency Smart 101 – Date TBD

Public Utility Accounting – Tuesday, October 8, 2019

Communications Update –

None.

In closing Ms. Schlichting informed that the DEMEC volunteers who participated in the Light Up Navajo Initiative will be meeting with Governor Carney on Thursday, June 27, 2019 to acknowledge their participation.

Green Energy Program Status Report:

Demand Response Update –

Mr. Scott Lynch, VP of Asset Development, reported that a Demand Response event is taking place during the meeting. He noted that temperature rises are expected later this week, possibly resulting in more events.

Mr. Lynch also reported that C-Power will be conducting their annual test on Thursday, June 27, 2019 between the hours of 2:00 p.m. and 3:00 p.m. This test measures the participation of those enrolled and will be administered entirely by C- Power, requiring no action by the municipalities.

MRPS Next Planning Cycle Review & Recommendations-

Mr. Lynch reminded the members that the MRPS year ended in May. He noted that percentages need to be settled upon for the upcoming cycle. Mr. McCullar stated that this should be addressed at the July board meeting.

Renewable Energy Taskforce Meeting Update –

None.

Energy Efficiency Advisory Council (EEAC) –

None.

Energy Efficiency Program Update –

On behalf of Ms. Emily Greene, Energy Service Manager, who is currently taking part in the training onsite, Ms. Heather Contant, Director of Media Relations & Communications, informed the members of Ms. Greene's intention to work closely with the 2 employees newly hired by Efficiency Smart. In the coming weeks, she will be working to get them up to speed on the DEMEC program.

BUSINESS FROM THE FLOOR

Ms. Donna Mitchell, Director representing Dover, took a moment to introduce the new Assistant City Manager of Dover, Mr. Matt Harline.

Mr. Eric Norenberg, Director representing Milford, took a moment to introduce the new Electric Supervisor of Milford, Mr. William Gallagher.

EXECUTIVE SESSION

The Board went into executive session at 10:19 a.m. upon motion by Lewes BPW, 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 11:18 p.m. No action was taken.

NEXT MEETING DATES

The following meeting dates were set:

Tuesday, July 16, 2019 – 10:00 a.m.

Tuesday, August 20, 2019 – 10:00 a.m.

Wednesday, September 18, 2019 – 4:00 p.m. (*Annual Dinner at Dover Downs*)

Ms. Schlichting reminded the board that the September meeting date has been changed from Thursday, September 19, 2019 to Wednesday, September 18, 2019.

ADJOURNMENT

Upon motion by Dover, seconded by Seaford the Board Meeting adjourned at 11:18 p.m.