

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
October 15, 2019

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Wednesday the 15th day of October 2019 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:05 a.m. with Morris Deputy, Chair, presiding.

The following roll call was presented:

Present:

Morris Deputy, Board Chairman
Representing Middletown
Tyler Reynolds, Alternate
Representing Middletown
Eric Norenberg, Director
Representing Milford
Charles Anderson, Director
Representing Seaford
June Merritt, Alternate
Representing Seaford
Tom Coleman, Director
Representing Newark
Mary Ellen DeBenedictis, Director
Representing Clayton
Sue Muncey, Alternate Director
Representing Clayton
Gary Stulir, Director
Representing, Smyrna
Darrin Gordon, Director
Representing Lewes BPW
Austin Calaman, Alternate
Representing Lewes BPW
Pamela Patone, Director
Representing MSC of New Castle
Dr. Roy Sippel, Alternate
Representing MSC of New Castle
Patrick E. McCullar, President
Representing DEMEC

DEMEC Staff Attending: 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; Kendra Friel, Administrative

Assistant/Training & Events Coordinator; Jennifer Coulbourne, IT System Administrator; Emily Greene, Energy Services Manager

Guests and Attendees: Christina Thompson, General Counsel, Connolly Gallagher; Michael Barnes, Bond Counsel, Clark Hill

MINUTES

The minutes of the following meetings were presented for approval:

1. Minutes of the Meeting of September 18, 2019

Upon motion made by Lewes to approve the minutes of the meetings of September 18, 2019, seconded by Smyrna, the motion passed unanimously.

TREASURER'S REPORT

Upon motion made by Newark to accept and approve the August 2019 Financial Report, seconded by Seaford, the motion passed unanimously.

APPOINTMENTS / ELECTIONS

None.

PRESENTATIONS

None.

RESOLUTIONS

2019-6 Authorizing the Refunding of the 2011 Bonds

Mr. Michael Barnes of Clark Hill, Bond Counsel for DEMEC, offered a brief overview of the project. Mr. Barnes noted that this is simply an interest rate savings play as rates in the long-term market are currently very low. He informed the board that since the current bonds are tax-exempt, DEMEC cannot take advantage of these new, lower rates due to regulations imposed by the Federal Government. Mr. Barnes recommends that DEMEC convert these bonds to taxable debt in order to take advantage of low interest rates, resulting in a large savings. Mr. Patrick McCullar, President, informed the board that the bond team has completed the initial leg work to bring this to fruition. He stated that the savings are here now, and we do not know how long they will last, so quick movement is necessary. He stated that he never thought he'd see rates this low. Mr. Barnes noted that even if rates go back after the conversion the savings will still be there into July of 2021, which is the current call date for the bonds. DEMEC can refinance again then if necessary.

Mr. Gary Stulir, Director representing Smyrna, asked for clarification. Is the suggestion being proposed in the resolution that DEMEC take on taxable, fixed rate bonds? Mr. Barnes responded in the affirmative. Mr. Stulir asked about current rates. The difference in interest rates between taxable and tax-exempt bonds was discussed, further supporting the conversion of the bonds.

Upon motion made by Newark to accept and approve Resolution 2019-6 Authorizing the Refunding of the 2011 Bonds, seconded by Milford, the motion passed unanimously.

COMMITTEE REPORTS

Executive Committee –

Mr. Darrin Gordon, Director representing Lewes BPW and Committee Chair, noted that this report will be given in Executive Session.

Audit Committee –

Ms. Pamela Patone, Director representing MSC of New Castle and Committee Chair, noted that the committee has not met since her last report. Investment discussions via email have however taken place and will be covered under the President's Report.

PRESIDENT'S REPORTS TO BOARD

Generation Project Report:

Mr. McCullar reported that September has been a good month. Generation reports will be discussed in Executive Session.

Construction Project Status Report:

Middletown Transmission & Substation –

Per Mr. McCullar, no substantial updates are currently available. He is awaiting a response from Delmarva regarding the letter DEMEC sent to DPL advising them that DEMEC intends to self-build the transmission line. More aggressive methods will be pursued should response not be received soon. The AMP transmission company will be brought in to assist DEMEC during the design and construction phase. Work on rights-of-way may need to be revised. The current goal is to have the line in service by 2021 or early 2022. Mr. Deputy asked if DEMEC or AMP would own the line. Mr. McCullar replied that this will be decided at a later date. Whichever scenario best benefits DEMEC will be pursued.

Economic Development Projects:

Middletown Technology Center –

Per Mr. McCullar, this is still an open issue.

Newark STAR Campus –

Continuing to move very quickly. Mr. Tom Coleman, Director representing Newark noted that load is coming on very quickly and planning for a substantial increase in MW's is taking place. He shared a list of businesses who are slated to move in and others who are expected to sign on soon.

Legislative Status Report:

Mr. McCullar had nothing new to report. He did inform the board of his attendance at a fundraiser for Governor John Carney. It is the opinion of Mr. McCullar that the Governor will enjoy another term given that no substantial challenge appears to be in existence.

With regards to RPS, Mr. McCullar noted that he also has nothing new to report. With the intent by Senator McDowell still eminent, DEMEC is planning to watch and react when the proper time arises. Mr. Deputy asked if any traction was made this past year regarding more substantial discussions. Mr. McCullar assured Mr. Deputy that this is the case. He noted that the Senator's attempt to push the bill last minute was not well received by the legislative leadership. He stated that when session comes back in, DEMEC will be there to address any issues that arise.

AURSI:

Ms. Stephanie Dove, Manager of Accounting and Settlements, shared that as previously discussed, DEMEC will be keeping the software. Milford is scheduled to take part in an introductory webinar in early November to help with acclimation to the software. Middletown had updated their system to include electric, water and wastewater. Ms. Dove reminded the membership that Newark uses the software and finds it to be a great resource. She noted that Cenise Wright with the City of Newark is a great resource should anyone have questions. She also noted that Seaford too uses AURSI for large orders. Ms. Dove concluded her report with a reminder that material can be loaded by AURSI should the lift still be of concern.

RP3 Application Update:

Ms. Dove reported that applications were successfully completed by the September 30th deadline. The Cities of Seaford and Dover reapplied, and Smyrna, Milford, Middletown and Newark applied for the first time. The RP3 panel will be reaching out in October for more information. In January of 2020, the panel will come back with scores and in April or May of 2020, designation status, if approved, will be official for a term of three years. Reapplication will be necessary at the two-year mark. Lewes is scheduled to be the next to reapply. Ms. Dove offered her continued assistance with the application and reapplication process.

AMI Updates

New Castle –

Ms. Patone shared that meetings have taken place with Mr. Charles Anderson, Director representing Seaford and Ms. June Merritt, Alternate also of Seaford. She thanked both for their time and the valuable knowledge shared. She also stated that New Castle has reached out the AMP and new numbers are being run for the project.

Milford –

Mr. Eric Norenberg, Director representing Milford, reported that the process is almost complete. Currently three modules are being installed and more water meters have been ordered to complete the project.

Other AMI Projects –

Mr. McCullar reported that Mr. Jared Price of AMP will be connecting with Middletown to review steps forward for the project. He also noted that an important lesson learned during this first round of implementation is that extensive evaluation of internal capabilities needs to be undertaken before starting any AMI project. He shared that AMP has been asked to put together a “Get Ready” type training to identify what needs to be done before a member begins an AMI project. He expects this training to be available in the near future.

Joint Lineman Training Yard:

Ms. Emily Greene, Energy Services Manager, shared that she took part in an AMP Steering Committee call for their training initiative last week. It is her intention to coordinate the training yard with the training initiative of AMP. She is currently looking at five properties for the yard. More information is to come.

Mr. McCullar reminded the board that Ms. Greene will be out of the office shortly for an extended period of time due to the impending birth of her new baby.

Light Up Navajo Discussion:

Mr. McCullar reminded the board that DEMEC members participated in this initiative last year and enjoyed substantial good press. He noted that planning for this second year is well underway and it is the recommendation of staff that DEMEC once again participate.

Last year, Smyrna and Milford participated, Mr. McCullar asked if any other members would like to do so this year. Mr. Coleman stated that Newark is interested. Mr. Gary Stulir, Director representing Smyrna stated that four linemen have once again volunteered to. They are hoping to split into two groups of two and travel out for back to back weeks. Should this happen, Smyrna plans to only send two sets of gear to be used by both crews. Mr. Norenberg confirmed that Milford also has two volunteers to send. Ms. Patone noted that she would reach out should New Castle choose to send volunteers.

Mr. McCullar promised to relay this information to Ms. Kimberly Schlichting, COO/SVP of Power Supply, who was unable to attend this meeting as she is at the APPA board meeting. He reminded the members that quick movement is necessary as the spots are filling up very fast. He went on to propose that the board support funding at the same level as last year.

Mr. Deputy asked for a summary of obligations and rules regarding participation. This information will help when presenting the opportunity to town leadership. Mr. McCullar stated that Ms.

Schlichting has a presentation prepared and she will be happy to bring it to the members if they so choose.

2020 Budget:

Mr. McCullar informed the members that the budget process has begun. He noted that some conversation will take place during Executive Session. It is his intention to have a draft ready for review at the November board meeting. A finalized copy is expected to be complete and presented for approval at the December meeting.

Investment Management Proposal:

Mr. McCullar reminded the members that DEMEC has a mutual fund investment with PNC and that this segment of their business is being sold to Federated Investors effective December 31, 2019. Mr. McCullar sees movement to Federated Investor resulting in a loss of some control, and therefore does not recommend doing so. PNC has recommended an actively managed portfolio which offers greater security and control. The proposal cost is less than what we pay now. The Audit Committee was asked to review the situation and it is their recommendation that an RFP be issued. With the deadline of December 31 approaching, it is the recommendation of Mr. McCullar and Ms. Patone that DEMEC accept the proposal from PNC for active management investment services now, and issue an RFP in early 2020. If a better investment management service is identified by the RFP, the PNC agreement can be canceled with 30-days' notice.

Upon motion made by Lewes to accept the proposal from PNC, with the intention of issuing an RFP in early 2020, seconded by Newark, the motion passed unanimously

TRAINING AND EDUCATION:

Mr. McCullar reminded the board that the December board meeting has been moved to December 3, 2019 and will be immediately followed by the Annual Holiday Luncheon. He asked that any member who has questions or suggestions for training and education reach out to DEMEC.

Communications Update –

Ms. Heather Contant, Director of Media Relations and Communications, briefly reviewed the Charitable Donations & Sponsorship Requests Monthly Report. She informed the members that a significant amount of funds remain and encouraged those who have not taken full advantage of the funding to make requests. She shared that one way of utilizing the funds is to purchase promotional items to be handed out at community events.

The radio spots for Public Power Week were very successful. The recordings went well and the Mayors and key staff were excited to participate.

She thanked the Board once again for allowing her to seek the renewal of contracts before the finalization of the budget process, noting that for this reason she has been able to secure all of the desired billboards for DEMEC Legislative Awareness endeavors in May and June of 2020 and Public Power Week in October of 2020. An extra perk awarded by the radio station was a CEO

Spotlight. Mr. McCullar has completed his recording and it is expected to air during the first two weeks of November. In his recording, Mr. McCullar highlighted much of the good work being done by the communities as well as our expanding renewable portfolio, public power reliability in Delaware and more. This PR spot will run in one-minute segments.

Ms. Contant asked the members to reserve April 8, 2020 as this will be annual DEMEC Day at Legislative Hall. The Governor's office is not scheduling this far out, so Ms. Contant will reach back out with the time of our customary meeting when it is reserved.

In closing, Ms. Contant shared that DEMEC has been awarded one of APPA's "Excellence in Public Power Communications" awards. This award, for DEMEC's involvement in the Light Up Navajo Pilot Program, was awarded in the "Website and Social Media" category. A round of congratulatory applause followed this announcement. Mr. McCullar noted that this recognition is a direct result of board support of greater efforts in media and communications, as well as interaction with leadership and our communities. He expressed gratitude for Ms. Contant's efforts. The program that she and Ms. Schlichting have pulled together has been very successful. While public power is generally a humble community, sharing the value of public power is critical in these times. Showing that DEMEC members are competitive and competent is the best defense against those who seek to buy out utilities. Ms. Mary Ellen DeBenedictis agreed with Mr. McCullar, stating that these efforts have "put Delaware on the map".

GREEN ENERGY PROGRAM STATUS REPORT:

Demand Response Update –

Mr. Scott Lynch, VP of Asset Management stated that the program ended on September 30, 2019 and that no further demand response calls are expected this year, except for in an emergency. C-Power is now pulling data together for their presentation at the December board meeting. Mr. Lynch reminded the board that not all members are signed up for the demand response program and invited them to do so and save money. He also noted that some rules will be changed next year. He stated there will be more information to come.

ENERGY EFFICIENCY PROGRAM STATUS REPORT

Energy Efficiency Advisory Council (EEAC) –

No update.

Energy Efficiency Program Update –

Ms. Emily Greene, Energy Services Manager, reviewed the August dashboard noting that this is the first report reflecting all six participating communities. For this reason, some changes have been made. Ms. Greene reviewed the minor changes and continued with a review of completed commercial and residential project numbers. She also shared that an important milestone has been reached: lifetime customer savings now exceed \$1 million. She also noted that under Residential Installed Efficiency Measures, the LED initiative remains the most popular, followed by the clothes dryer and washer.

Ms. Greene presented at the last Smyrna Utility Committee Meeting and was invited to come back to present to Council. Her goal is to bring Smyrna on board before she leaves on maternity leave. A similar situation is taking place in Lewes. She noted that contracts have been prepared and Lewes needs to decide on what level they'd like to step in at.

Efficiency Smart is rolling out its Electronic Bill Advice Initiative. Customers will now be able to talk through their bills in a live chat or call in. This is intended to take some of the stress off customer service representatives since Efficiency Smart will be there to handle these issues.

Ms. Greene talked about the successful community education event held in the New Castle Public Library. She stated that everyone seemed to enjoy the event and participation was good. Ms. Greene also reviewed a list of nearly 30 businesses in 5 member communities which she visited and discussed the program.

Per Ms. Greene, future program related activities include running local print ads about the Electric Bill Advice Initiative and Black Friday specials on smart thermostats between the dates of November 19, 2019 and December 4, 2019. DEMEC will also be partnering once again with Energize Delaware for an educational event being held at the Newark Municipal Building. During this event, participants will be able to talk through low and no cost energy efficiency solutions and learn how Efficiency Smart and the SEU can be of benefit.

Mr. McCullar inquired as to how many Efficiency Smart staff members are currently supporting the program for DEMEC. Ms. Greene stated that currently there are now four, two technical and two key accounts. The original two staff members, Tim and Tom, are in the process of training the newer staff to support DEMEC member programs. Mr. McCullar was pleased, stating that Efficiency Smart reaching out to residential and commercial customers on behalf of the members was seen as one of the great values of the program. He noted that in the short time the program has been in effect, he has been very impressed. The savings seen so far are greater than the cost of the program and the PR impact is big. The program is growing and is quite popular in the member communities.

Ms. Patone asked for an update on the procedure being developed for the community programs that are over-performing. Ms. Greene acknowledged this concern and noted that a few communities are currently butting up to the 100% contract guarantee, with New Castle being the first to do so. She noted that a lot of thought has gone into this and the course settled upon is to wait until 110% is achieved. At this time Efficiency Smart will continue their efforts with residential customers, but commercial concerns will be decided upon on a case by case basis. She noted that Randy Corbin with AMP is currently drafting a letter outlining this process. Once received, DEMEC staff will review and submit to our attorneys to make sure all is in order. This will then be distributed to the participating members.

Ms. DeBenedictis took a moment here to share with Ms. Greene the advertisements she has seen from PECO on refrigerator recycling. She also shared that the firehouse in Clayton is working to replace all existing lights with LEDs.

Mr. McCullar once again noted the success of the program and stated that it is wise to look into what can be done in terms of contract modification to assure continued success, but not spend more money than necessary. DEMEC will continue to work on this and bring a recommendation to the board when 110% is reached. Ms. Patone expressed her pleasure that the residential side and the consulting and review of contracts for large commercial accounts can remain ongoing with no further investment. Mr. McCullar noted that a strong partnership with Energize Delaware has resulted from the implementation the program, which has been mutually beneficial.

Renewable Energy Taskforce Meeting Update –

Ms. Greene reminded the board that the last meeting of the Renewable Energy Taskforce was held the day of the DEMEC Annual Dinner, September 18, 2019. An update of the discussion was presented at the board meeting that day. The next meeting is due to be held this Thursday. On the agenda is a DPL SREC option, which is anticipated to take up much of the meeting, to be followed by a discussion on net metering, which is of more importance to DEMEC. Ms. Greene will provide an update after the meeting. Mr. McCullar noted that Ms. Greene’s expertise has been invaluable in these meetings.

BUSINESS FROM THE FLOOR

Mr. Coleman informed the board that a new Communications Manager has been hired by Newark. She was unable to attend today’s meeting. Ms. Contant assured Mr. Coleman that they have spoken and will be setting up a time to meet shortly.

Mr. Coleman shared that the Newark Council has directed staff to begin working towards a goal of 50% renewables in 2020. He has spoken with Mr. McCullar and Mr. Lynch about obtaining RECs to initially meet this new goal. Mr. McCullar assured Mr. Coleman that DEMEC has been in touch with ACES to determine the best way to meet this goal at the lowest cost to Newark.

For the past two years, a committee in Newark has convened to create a sustainability plan. It is hoped that this plan will be adopted by council during the next month or so. Council will convene on December 2, 2019 to discuss the handling of the Newark Green Energy Fund and discuss solar projects. Mr. Coleman feels representation from DEMEC should attend.

Sadly Mr. Coleman shared that ongoing DeIDOT main street projects are finally taking their toll, resulting in the closure of three businesses in the last two weeks.

EXECUTIVE SESSION

The Board went into executive session at 11:03 A.M. upon motion by Newark, seconded by New Castle 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 11:29 A.M.

RETURN TO REGULAR SESSION

Upon motion made by Newark to approve the recommended healthcare policy, seconded by Clayton, the motion passed unanimously.

Upon motion made by Lewes to approve the immediate creation of a new accounting clerk position and allowing staff to fill said position, seconded by Seaford, the motion passed unanimously.

Mr. McCullar assured the board that once the job description for the position has been finalized it will be circulated to the members.

NEXT MEETING DATES

The following meeting dates were set:

Tuesday, November 19, 2019 – 10:00 a.m.

Tuesday, December 3, 2019 – 9:00 a.m.

Tuesday, January 21, 2020 – 10:00 a.m.

ADJOURNMENT

Upon motion by Lewes, seconded by the Milford, the Board Meeting adjourned at 11:30 A.M.