

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
November 19, 2019
(Revised 1/21/2020)

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Wednesday the 19th day of November 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
Mark Whitfield, Alternate
Representing Milford
Charles Anderson, Director
Representing Seaford
June Merritt, Alternate
Representing Seaford
Tom Coleman, Director
Representing Newark
David DelGrande, Alternate
Representing Newark
Mary Ellen DeBenedictis, Director
Representing Clayton
Sue Muncey, Alternate Director
Representing Clayton
Chalea Johnson, Alternate
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: 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; Kendra Friel, Administrative Assistant/Training & Events Coordinator;

Guests and Attendees: Max Walton, General Counsel, Connolly Gallagher

MINUTES

The minutes of the following meetings were presented for approval:

1. Minutes of the Meeting of October 15, 2019

Upon motion made by Newark to approve the minutes of the meeting of October 15, 2019, seconded by New Castle, the motion passed unanimously.

TREASURER'S REPORT

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

APPOINTMENTS / ELECTIONS

Mr. Tom Coleman, Director representing Newark, was appointed to the Executive Committee. Ms. Pamela Patone, Director representing New Castle, reminded the board that with the impending departure of Mr. Eric Norenberg, Director representing Milford, the positions of Treasurer and Alternate Secretary will shortly need to be filled. Mr. Patrick McCullar, President and CEO, noted that this issue will be addressed at a later date.

Upon motion by New Castle to accept the appointment of Mr. Coleman to the Executive Committee, seconded by Seaford, the motion passed unanimously.

PRESENTATIONS

None.

RESOLUTIONS

None.

COMMITTEE REPORTS

Executive Committee – None.

Audit Committee –

Ms. Patone, Audit Committee Chair, reported that the committee met before this meeting to discuss the scope and direction of the committee.

PRESIDENT'S REPORTS TO BOARD

Generation Project Report:

Fremont-

Mr. McCullar reported that Fremont has been on planned outage for most of the month. During this time, upgrades are being done on the generation units which will increase the ability of the assets to operate under higher heat, be more efficient, and add extra capacity.

Beasley –

Ms. Kimberly Schlichting, COO/SVP Power Supply, reported that unit 2's motor has been problematic but is now fixed and ready for the winter.

Construction Project Status Report:

Middletown Transmission & Substation –

Per Mr. McCullar, this project is on hold pending discussion with Delmarva. Two options are currently on the table. Option one, Delmarva builds as they have stated they will do. Option two, DEMEC will undertake the building of the project. A letter was sent to Delmarva stating such. Mr. McCullar and Ms. Schlichting are scheduled to meet with Mr. Scott Razze, the head of Delmarva Transmission. They plan to ask why Delmarva has not moved forward as they stated they would. If a resolution is reached that guarantees the line will be built within the required time frame, DEMEC will seek to come to an agreement with Delmarva. If not DEMEC will forge ahead and complete the project. The AMP transmission company, which Mr. McCullar helped form, is now fully operational and capable of the design and construction of transmission facilities.

Economic Development Projects:

Middletown Technology Center –

Per Mr. McCullar, this is still active. Mr. McCullar and Mr. Scott Lynch, VP of Asset Development, met with Mayor Kenny Banner and the Middletown City Council about a solar project that will connect to the data center. Mr. Morris Deputy, Director representing Middletown and Chair, thanked both Mr. McCullar and Mr. Lynch and stated that both gentlemen instilled confidence in those present. Mr. McCullar noted that after the initial discussion, a well-focused track of the wishes of the mayor and council has been identified.

Newark STAR Campus –

Mr. McCullar noted that the project is moving along swiftly. Mr. Tom Coleman, Director representing Newark, shared that some sort of “big news”, of which he is not privy, is scheduled to be released shortly.

Legislative Status Report:

Per Mr. McCullar there is nothing new to report. Ms. Schlichting agreed and reminded the board that DEMEC will meet with the Delaware Electric Coop to discuss our joint position and action plan regarding expected proposed RPS legislation changes in 2020. Ms. Schlichting asked the board if DEMEC's position should remain the same until strategic planning has been complete. The board affirmed.

AMI Updates

New Castle –

Per Mr. McCullar, New Castle has met with the City of Seaford and will shortly be meeting with the City of Milford to get a feel for what to expect during implementation.

Milford –

Additional water meters are on order. Per Mr. Mark Whitfield, Alternate representing Milford, the SCADA modules, customer portal and GIS are the current areas of focus with regard to the finalization of the project.

Other AMI Projects –

Mr. Deputy shared that a meeting between the Town of Middletown and the City of Milford has been set for December 12th, 2019.

Joint Lineman Training Yard:

Ms. Schlichting shared that AMP is in the process of formalizing accreditation with “Northwest Lineman College”. She noted DEMEC is looking to partner with AMP to accommodate their members located closer to Delaware.

Light Up Navajo Discussion:

Ms. Schlichting stated that six linemen have volunteered to participate in the program. All will be going out in teams of two, who will then be paired with two other workers to form crews of four. Navajo Tribal Utility Authority (NTUA) has increased the project time frame from 6 to 12 weeks and has received tremendous response resulting in slots filling up very fast; slots were filled on a first-come, first-served basis. Many linemen who wanted to participate were unable to register because local approval could not be obtained in time. Going forward, DEMEC will hold informational meetings to help interested members plan ahead of the schedule release. In addition to the six volunteers, we have two volunteers from the City of Seaford who have agreed to act as alternates should any of the registered linemen cancel. Ms. Schlichting thanked everyone for their support of this endeavor.

Ms. Mary Ellen DeBenedictis, Director representing Clayton and Secretary, asked if there was a need for meters or streetlights to be donated. She noted that the Town of Clayton Council has expressed interest in donating these as new are installed. Ms. Schlichting will inquire.

Mr. McCullar asked if this is something that can be coordinated through AURSI. If the Navajo Nation cannot use them, surely someone else can. He also noted that it would be beneficial in his opinion for APPA to put together a bulletin board system to share information such as this.

2020 Budget:

Mr. McCullar reported on the proposed budget. He noted that copies have been sent to each member via email. He did find one error which has since been corrected, but it did not change the bottom line.

Mr. McCullar reported that the company goals remain the same as the previous year. The provision of the lowest cost, reliable power supply to the membership, maintaining a stable power supply portfolio, and the maintenance of a ratio of assets to bi-lateral market contracts. As load increases with new customers being added, the decision will then be made to acquire new assets or to increase market-based contracts. When the time comes, the market will be reviewed and if it is cheaper to enter into a contract than to produce the energy, contracts will be pursued.

Another goal is no volatility in member rates. This is done in several ways. DEMEC has a Financial Transmission Rights (FTR) portfolio which hedges against the effect of congestion in the transmission system. There is also a hedge fuel policy which protects from fluctuations in fuel pricing. This policy only goes so far, as the fuel requirements for Beasley are not high. DEMEC does have a good relationship with Pasco which is a services affiliate of Chesapeake Utilities. The relationship affords DEMEC the ability to contract on an ad hoc basis to use their hedged portfolio. In the past few years, fuel prices have only gone down, but should they begin to increase DEMEC will be protected.

For the market purchase contracts in portfolio, the current long-standing policy has been achieved through 2020. Years 2021, 2022 and 2023 are hedged at lower percentages, but as they draw near, contracts can be purchased to ensure adequate hedging.

Generation of behind the meter assets is still part of DEMEC's goals. A look into reciprocal internal combustion engines is still on the table, but most members seem to have minimal desire to pursue as it is carbon producing generation. Should a large economic benefit be projected, the possibility will be brought forward for consideration.

DEMEC will maintain the current rate stabilization target. Staff is working internally on a cash reserve target policy. This will be brought to the Audit/Finance Committee for review and ultimately the full board. The rate stabilization reserve is part of the wholesale rate. It has been reduced this year because the target is consistently being achieved. Therefore, the goal is to maintain rate unless the board decides, by policy, to increase or change the target.

Member and distribution training and support will continue at a high level as instructed by the board. Regulatory representation and education at all levels of government will also continue.

As part of the goal to maintain a reliable power supply cost, the ratio of assets to market purchases will be maintained. Currently, DEMEC is slightly ahead in assets but this has been very beneficial.

Behind the meter development will continue. If it lowers costs, it will be pursued. Also, with the expected increase to RPS, having assets producing is favorable to being at the mercy of a potentially volatile market. Also, behind the meter generation avoids some transmission and capacity costs.

In 2019, DEMEC increased ownership in the Fremont Energy Center due to an increase in load. This additional ownership was at no cost. Fremont has proven to be highly reliable and is our lowest cost asset. Future buy in to Fremont will be considered as load increases. Currently, Ms. Schlichting can go to market and secure 5 and 10-year contracts at very good rates. This will not always be the case. The DEMEC membership is in a very good spot. Fremont and Beasley have greatly reduced the cost of energy for our communities.

Mr. McCullar took a few moments to review the power supply components. The budget reflects rate increases and drops, ultimately resulting in lower rates for the membership. Some unknowns may affect this such as the existing FERC docket that will affect how PJM operates. It is not clear at this time how the resolution of these items will affect DEMEC. As changes come to light, DEMEC will seek direction from the board. Mr. McCullar also noted that delivered megawatt hours has been raised due to anticipated load growth.

Mr. Deputy expressed concern that the projected load for Middletown may be off. He noted that the anticipated data center may not come in with back up generation and may ramp up more slowly than anticipated. Mr. McCullar told Mr. Deputy that the numbers provided are for a five-year span and changes can be made as needed.

Mr. Charles Anderson, Director representing Seaford asked if any recommendations have been made regarding the rate stabilization reserve going forward. Mr. McCullar noted that the reserve meets the needs of DEMEC at this time.

Mr. McCullar quickly reviewed the budget summary. He noted that the administrative services summary will be reviewed in executive session.

Mr. McCullar took a moment to update the members on the recent bond refinancing discussion. He noted that before the refinance could take place, interest rates began to rise and DEMEC was advised by our financial advisor to not "chase increasing rates". Two other options were discussed, both of which strongly rely on the status of the market to dictate their benefit.

The capital budget was then reviewed. Items of note included funds for a new line yard, a new phone system, and the replacement of the office printer.

Mr. Coleman asked for clarification on what determines if something falls into the capital budget. Ms. Stephanie Dove, Manager of Accounting and Settlements, gave a quick review of the policy in place. Mr. Coleman asked if a leased printer would be a better option than buying. He noted that Newark had just done so. Mr. David DelGrande, Alternate Director representing Newark, shared that while not cheaper, it does allow for the stretching out of payments which is in some instances preferable to paying for this expensive equipment flat out.

Mr. Coleman asked how the goals reviewed by Mr. McCullar were set. Mr. McCullar noted that they are set by the board during strategic planning.

Mr. Deputy inquired about external capacity revenues and if they came from PJM. Mr. McCullar answered in the affirmative and gave a brief description of how this number was calculated. After the review of the Beasley budget, Mr. Deputy asked for an explanation of the increase in ancillary sales. Mr. McCullar noted that it is market driven and explained why this revenue can be expected.

Mr. Anderson was concerned with the increased insurance rates. Mr. McCullar stated that this increase is being seen across the country for generation insurance.

The Beasley capital budget was then reviewed. This budget includes the replacement of turbine vent fans in both units and some minor blacktop replacement.

Investment Management Proposal:

The plan was smoothly implemented, and a portal has been set up for DEMEC by PNC to review daily activity and provide access to all contacts.

TRAINING AND EDUCATION:

Ms. Kendra Friel, Administrative Assistant/Training and Events Coordinator, noted that several trainings are in the pipeline. She noted that the annual members dinner boasted record attendance. Currently, Ms. Friel is working to bring in the second session in the APPA Customer Service Management Certificate Program. She is also working with Mr. Lynch on a renewables and net metering session and Mr. Max Walton, DEMEC General Counsel, on a FOIA training. Current trainings have been well attended and attendees continue to offer positive feedback.

Ms. Friel reminded the board that a strategic planning webinar is being offered immediately following the board meeting. She noted that this webinar, along with two others which will be presented in January 2020 and February 2020, are being offered in preparation for strategic planning in the spring of 2020.

Ms. Friel also reminded the board that the December 3rd board meeting will begin at 9:00 a.m. as opposed to the usual start time of 10:00 a.m. and will revert to 10:00 a.m. at the January 2020 board meeting.

The implementation of a Customer Service Working Group is underway.

She also advised the members to keep an eye out for a survey of dates for the 2020 Joint Council Briefing and reminded them to let her know of any additional training needs they may have.

Communications Update –

Ms. Heather Contant, Director of Media Relations & Communications, asked that the Holiday Educational Display Tables be set up in each community around Thanksgiving week and no later than the first week of December.

She noted that she just completed an interview with WDSB and TOM FM during which winter energy savings tips were offered to listeners and she will also be offering holiday specific energy savings tips in an upcoming interview series.

Additionally, Mr. McCullar will be interviewed for Delmarva Life, which will air on WBOC, Fox 21 and their social media including Facebook ads and banner ads on the WBOC website.

GREEN ENERGY PROGRAM STATUS REPORT:

Demand Response Update – N/A

ENERGY EFFICIENCY PROGRAM STATUS REPORT

Ms. Schlichting advised the board, that with the absence of Ms. Greene, Mr. Lynch and Ms. Contant will split the duties until Ms. Greene's return.

Energy Efficiency Advisory Council (EEAC) –

EEAC November 13, 2019 meeting - Mr. Lynch attended and reports on three items. Firstly, a new planning document is being developed to be used for the next three-year planning cycle. Efficiency Smart will assist with the completion of this document when it is provided. He noted that since members have entered the program at different times, the reflected savings reported will be staggered.

Secondly, DNREC is considering adjustments in energy efficiency regulations. One such adjustment is the discontinued use of the Mid Atlantic Resource Manual. This document calculates the savings of using one product versus another. DNREC is considering no longer using this resource since the State of Delaware has decided to no longer participate in its annual review. Any change in regulations will affect the 2021 and 2022 planning cycles. DEMEC will be involved in these discussions.

Thirdly, the next Renewable Energy Taskforce Meeting is scheduled to take place on December 4, 2019. Mr. Coleman inquired if this taskforce is the long awaited one promised by Senator McDowell. Mr. Lynch replied in the negative, stating that this taskforce is concerned with the state auction process and the procurement of SRECs.

Finally, Mr. Lynch shared that starting in January 2020, EEAC meetings will be held quarterly as opposed to monthly.

Energy Efficiency Program Update –

Ms. Contant is currently attending meetings with the representatives from Efficiency Smart. Launch meetings are scheduled for Smyrna and Lewes during the first week of December. Ms. Contant reviewed the continually growing savings and noted that the 99 cent LEDs continue to sell well. She shared that Efficiency Smart has launched its Electric Bill Advice. She encouraged those not using this tool to do so as it is designed to help customers learn how to lower their energy usage making their bills more manageable. She noted that Newark is having success with the tool.

INFORMATION TECHNOLOGY

Per Mr. McCullar, with the increasing importance and staggering growth of technology, it has been decided that Ms. Jennifer Coulbourne, IT System Administrator, will begin offering a monthly update to the board. Ms. Coulbourne is currently at a cyber security training and will begin reporting next month.

GridEx Exercise –

Ms. Schlichting reported that several IT staff members from member communities joined Ms. Coulbourne for this exercise last week. It was well received, and the information obtained can now be taken back to the communities to develop similar utility exercises.

Ms. Patone asked if Ms. Coulbourne is backed up by a third-party IT company as well. Ms. Schlichting stated that Diamond Technologies out of Wilmington does support Ms. Coulbourne. Mr. McCullar stated that when an IT professional was brought in house the original plan was to do away with third party support, but it soon became clear that the volume of issues is far too great to do so. We have toned down, but plan to retain them as back up.

BUSINESS FROM THE FLOOR

None.

EXECUTIVE SESSION

The Board went into executive session at 11:16 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 12:15 P.M. A motion was made to approve the 2020 Personnel Budget. Upon motion by Newark and second by Lewes, the motion passed unanimously.

RETURN TO REGULAR SESSION

No action was taken from the Executive Session.

NEXT MEETING DATES

The following meeting dates were set:

- Tuesday, December 3, 2019 – 9:00 a.m.
- Tuesday, January 21, 2020 – 10:00 a.m.
- Tuesday, February 18, 2020 – 10:00 a.m.

ADJOURNMENT

Upon motion by Lewes, seconded by Newark, the Board Meeting adjourned at 12:16 P.M.