

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
Remotely Via Zoom
April 20, 2021

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday, the 20th day of April 2021 remotely via Zoom.

The meeting was called to order at 10:02 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
Charles Anderson, Director
Representing Seaford
Mary Ellen DeBenedictis, Director
Representing Clayton
Tom Coleman, Director
Representing Newark
Dave Del Grande, Alternate
Representing Newark
Andrew Haines, Director
Representing Smyrna
Cassandra Young, Alternate
Representing Smyrna
Pam Patone, Director
Representing the MSC of New Castle
Dr. Roy Sippel, Alternate
Representing the MSC of New Castle
Louis Vitola, Alternate
Representing Milford
Patrick McCullar, President & CEO
Representing DEMEC

DEMEC Staff Attending: Kimberly Schlichting, COO/SVP Power Supply; Heather Contant, Director of Media Relations & Communications; Jennifer Coulbourne, IT System Administrator; Stephanie Dove, Director of Accounting and Settlements; Steve Siok, Director of Beasley Plant Operations & Compliance, Kendra Friel, Training and Events Coordinator; Emily Greene, Compliance Administrator; Scott Lynch, VP Asset Development; Charles Santo, Accounting Analyst

Guests and Attendees: Lincoln Willis, Principal, the Willis Group; Scott Blomquist, Electrical Utility Manager, MSC of the City of New Castle; Michael Barnes, Esq., Member, Clark Hill; Bethany Ryers, Firm Director, Baker Tilly; Daniel La Haye, Sr. Manager, Baker Tilly

Mr. Patrick McCullar, President & CEO, requested to add item D2 to the agenda titled “Summary of Bond Issue Results”. Upon approval by Mr. Morris Deputy, representing Middletown and Board Chair, the item was added to the agenda.

APPROVAL OF MINUTES

The minutes of the following meeting was presented for approval:

1. Minutes of March 16, 2021

Upon motion made by New Castle, to approve the minutes of the meeting of March 16, 2021, seconded by Seaford, the motion passed unanimously.

TREASURER’S REPORT

Monthly Financial Report – February 2021 –

Mr. McCullar presented the February 2021 Monthly Financial Report to the board. Mr. Tom Coleman, representing Newark, and Mr. Louis Vitola, representing Milford, asked questions about the net margin calculation and how the rate stabilization effected the calculation. Mr. McCullar answered the questions for clarification. Mr. McCullar stated that the beginning of the report indicates the amount that was utilized from the rate stabilization fund. Mr. David Del Grande, representing Newark, asked that future reports reflect more clearly when the revenue stabilization fund had to be utilized to net zero.

Upon motion made by Newark, to approve the February 2021 Monthly Financial Report, seconded by Milford, the motion passed unanimously.

Summary of Bond Issue Results –

Mr. McCullar stated that documents for the results of the refunding bond sale were sent to the board previously. He reported significant savings on interest. Mr. Coleman complimented DEMEC on the additional savings they were able to find and advice throughout the process. Mr. Vitola asked Mr. McCullar to send out the invoice for the financial advisor to the Finance Committee or himself. Mr. Michael Barnes, Esq., Clark Hill, spoke out as the bond counsel for DEMEC’s refunding bond sale that the normal closing statements that will be provided will have all invoices attached as per protocol. Mr. Barnes stated that he will be in touch with the participants of the bonds after the meeting for necessary certificates. Mr. McCullar complimented Mr. Barnes and his team for their assistance and knowledge throughout the process.

APPOINTMENTS/ELECTIONS

None.

PRESENTATIONS

Audit Presentation & Discussion – Baker Tilly –

Mr. Dan La Haye, Sr. Manager, and Ms. Bethany Ryers, Firm Director, both from Baker Tilly presented on the DEMEC Audit. Mr. La Haye reported that DEMEC received an unmodified audit opinion this year. He continued saying that it was fairly and materially accurate with no material weaknesses or significant deficiencies found, again, this year. Mr. La Haye stated that is a really high bar to reach, especially with all the new GASB standards. Ms. Ryers mentioned that they did offer some best practice recommendations for internal controls, but DEMEC had no audit adjustments and no controversial accounting policies. Mr. McCullar stated that the best practices will be shared with the Finance Committee and recognized DEMEC's Accounting Staff, Stephanie Dove and Charles Santo. Ms. Pam Patone, representing New Castle and Chair of the Finance Committee, also thanked DEMEC Staff. She noted that the Baker Tilly relationship really adds value with their industry knowledge and thanked her fellow Finance Committee members.

Upon motion made by New Castle, to approve the 2020 Annual Financial Report, seconded by Newark, the motion passed unanimously.

RESOLUTIONS

2021-3 Certificate of Authority for Delaware Municipal Electric Corporation –

Mr. McCullar presented to the board a document required by Wilmington Trust as the trustee for bond funds. This document designates the principal people authorized to act related to bonds as a trustee and needs board approval.

Upon motion by Newark, to approve Resolution 2021-3 Certificate of Authority for Delaware Municipal Electric Corporation, seconded by Smyrna, the motion passed unanimously.

COMMITTEE REPORTS

Executive Committee –

No report.

Finance Committee –

Ms. Patone thanked the board for their discussion on the bond refinancing options and informed the board that the draft minutes for the past committee meetings were on BoardPaq.

PRESIDENT'S REPORTS TO BOARD

Generation Projects Status –

Mr. McCullar presented reports to the board on DEMEC's generation assets and provided update on planned outages and outputs between January and March. He stated that DEMEC will be

undertaking a study to look into capacity resource designation from PJM to earn capacity revenue for Laurel Hill. Mr. Coleman asked about the length of time remaining on the contracts for Laurel Hill and Fremont. Mr. McCullar stated that there is about 16 years left on Laurel Hill and 25 years left on Fremont.

Construction Projects Status –

Mr. McCullar stated that the Seaford Infrastructure Project is complete and came in under budget. The excess funds in the bond account will be applied to the principal or sent to Seaford for their use. He stated that an update on the project in Middletown would be given during executive session.

Economic Development Projects –

Mr. Andrew Haines, representing Smyrna, reported that KRM has made progress on the Duck Creek Business Park and more details should be available in the near future. Mr. Deputy reported that Middletown will be meeting with a potential large customer that would need an ESA for their power supply.

Legislative Update –

Ms. Kimberly Schlichting, COO/SVP Power Supply, informed the board that Mr. McCullar sat on Senator Hansen's panel for another Community Solar Stakeholder Meeting this past Friday to discuss the first version of new draft legislation. More information will be provided during executive session.

EXECUTIVE SESSION

The Board went into executive session at 10:44 a.m. upon motion made by Smyrna, seconded by Newark, to discuss the following:

1. Strategic business and planning.

RETURN TO REGULAR SESSION

The Board ended executive session and returned to regular session at 11:11 a.m. No action taken.

PRESIDENT'S REPORTS TO BOARD - Continued

AMI –

Mr. Scott Lynch, VP Asset Development, stated that the AMI program is proceeding well. He informed the board that Middletown began deployment of meters and Clayton, Smyrna, Lewes, and the MSC continue in their various stages of development.

RP3 –

Mr. Lynch reminded the board that Applications open May 2021 and he is available to help members apply.

Rate Study –

Mr. McCullar stated that DEMEC received the second proposal and will report to the Finance Committee in May for recommendation.

Broadband –

Ms. Schlichting stated that she and Mr. Lynch are participating in AMP's broadband group discussion; however, DEMEC will need to seek outside assistance for the level of support DEMEC will need. Ms. Schlichting advised that if the board wants a more in-depth evaluation of broadband feasibility, DEMEC will need to hire a consultant to look at the numbers and dive deeper. Mr. McCullar asked the board how they would like to proceed. Ms. Patone recommended that all members share with DEMEC their efforts with broadband to show everything that has already been explored. Mr. McCullar requested member to share what they have done historically to ensure DEMEC does not go down paths that are not useful. Mr. Haines said that Smyrna's council discussed broadband at their last meeting and are waiting for Kent County's report to come out before they investigate further. He said that it might make sense to see what the state and Kent County come up with and use that data to look into it further from there. Mr. McCullar agreed that it would make sense to hold off and make decisions after seeing the reports expected to come out. Mr. Vitola stated that Milford is interested but is not currently making any moves. Mr. Del Grande shared with the board a link to Newark's study from 2016 on broadband network feasibility. Mr. McCullar stated that without a consultant, DEMEC staff will not be able to research the issue. He shared that staff could make a scope document and circulate to the members for input to have as a discussion document. Mr. Haines stated that Newark's report outlines cost efficiencies to have framework for scope.

Joint Training Yard –

Ms. Schlichting reported that DEMEC closed on April 8th for the property and will be working with DNREC to properly abandon the irrigation well. She stated that DEMEC has a meeting scheduled with AMP to develop a training program and scope in support of extending AMP's program to DEMEC's yard. Ms. Schlichting said that DEMEC will survey the board for what they expect from the program. She said that DEMEC is looking at what the layout will be and what members might be able to donate relating to equipment and materials.

Centralized Lineworker Program –

Ms. Schlichting stated that there are a handful to a dozen Joint Action Agencies that have this type of program. Further discussion will occur during executive session.

Communications –

Ms. Heather Contant, Director of Media Relations & Communications, reported that Lineworker Appreciation Day was on April 18th and DEMEC posted about it on social media with an image that highlights each member utility. She informed that board that it reached over 2,600 people and was shared multiple times. Ms. Contant informed the board that Earth Day would be on April 22nd and DEMEC had a Zoom radio interview that would be released on Earth Day along with other posts throughout the week highlighting DEMEC and member communities' commitment to carbon reduction and the work done so far.

TRAINING & EDUCATION ACTIVITIES

Upcoming Trainings & Calendar –

Ms. Kendra Friel, Training & Events Coordinator, reported that DEMEC had to cancel the VRDT virtual training due to lack of response and will look to bring it in-house when in-person trainings start back up. She also reported that DEMEC's Annual Dinner will be virtual this year due to Dover Downs not hosting any events for the remainder of 2021. She expects the Annual Dinner to be in-person in 2022. Ms. Friel informed the board that DEMEC held a DEED training, and it was placed on the portal for members to review before further discussion at future board meetings on participation. She highlighted that DEMEC has switched to Constant Contact for training and events communication. A memo was provided to show the templates member staff can expect to see and how to add the email address to their safe sender email list to ensure their staff receive information in a timely manner and do not miss out on educational opportunities. Mr. Del Grande asked for an update on the APPA national conference. Ms. Friel explained that the conference is being held in a hybrid format and that while all of the rooms are currently booked for the in-person conference, APPA is still accepting registrations for a waiting list to see if they are able to open up the conference to more attendees. A virtual conference will be done separately, and members are also able to sign up to attend the virtual conference. Mr. McCullar mentioned that the national conference was moved to Florida.

GREEN ENERGY & DEMAND RESPONSE PROGRAMS STATUS REPORT

Demand Response Update –

Mr. Lynch stated that the program is preparing for the June 1st start, and while he continues to make final registrations he will be in touch with respective members. He reminded the board that they will be registering participants in PJM soon, so please let DEMEC know of any customers that might benefit or if the community would like to participate.

Retail Customer Renewable Energy Requests –

Mr. Lynch stated that DEMEC and members receive requests from customers for additional renewable energy. He presented DEMEC's draft policy, application, and agreement for the board to review. Mr. Lynch explained that DEMEC recently worked with the City of Seaford to help a customer interested in additional renewable energy. During the customer meeting, after a number of questions it was realized that the customer needs additional help to find the best way to go green. The DEMEC policy would establish a process from initial contact with a customer all the way to retiring RECs. Mr. Lynch stated that DEMEC is looking for feedback from the board and then will implement a final policy to provide direction for future contacts. Mr. McCullar asked for feedback between now and the May board meeting to get approval and help retail customers. He stated that DEMEC assumes this program will constantly evolve as technology and customer needs change.

ENERGY EFFICIENCY PROGRAM STATUS REPORT

Energy Efficiency Advisory Council Update –

Ms. Emily Greene, Compliance Administrator, stated that the committee met last week, as well as subcommittees. One of the subcommittees that was established to assist with low-income customers during the DPL merger was renamed the Energy Equity Committee. Dan Pettit, with

VEIC, will be supporting DEMEC as the committee works through efforts by the state to create their own technical report. Ms. Greene also reported to the EEAC on DEMEC's sustainability efforts. Mr. McCullar reported that the charging stations have now been installed at the DEMEC office and shared pictures of the chargers and plug. He stated that DEMEC has placed an order for the Tesla Model Y and it should arrive in 4-6 weeks. It will be white in color and DEMEC will report to the board when it arrived. Ms. Greene mentioned that DEMEC will be purchasing equipment to protect the chargers from cars running into them and working through what codes will be necessary for charging capabilities.

Energy Efficiency Program Update –

Mr. Lynch shared the February dashboard for the Efficiency Smart program and updated memo. He stated that there have been 80 completed C&I projects, 3,453 residential projects completed, 6,189 megawatt hours saved currently, and \$9,684,528 in lifetime customer savings. Mr. Lynch reported that the first four members all signed new three-year contracts that began March 1st and will go through 2024. The results from the initial four contracts all achieved at least 89% savings and three out of four members achieved more than their estimated goal. New goals were established for the new contracts. LED retail savings program additional marketing materials went out and face to face meetings with customers began April 7th. Mr. Del Grande asked what is considered “lifetime” for this program. Mr. Lynch informed that it is between 10-12 years.

Renewable Energy Taskforce Meeting Update –

No report.

INFORMATION TECHNOLOGY

IT Update –

Ms. Jen Coulbourne, IT System Administrator, stated that an update would be given during executive session.

BUSINESS FROM THE FLOOR

Mr. Deputy congratulated Ms. Patone on her new endeavor and gave best wishes for the future on behalf of the DEMEC board. Mr. McCullar stated that Ms. Patone's input has been valued over the years. Mr. Coleman recognized that the board will need to find a replacement for finance committee chair and board Treasurer. Mr. McCullar stated that he is hoping to have someone to bring before the board for a vote in May.

EXECUTIVE SESSION

The Board went into executive session at 11:45 a.m. upon motion by Milford, seconded by Smyrna, to discuss the following:

1. Personnel actions, strategic business and commercial generation operations, dispatch, negotiations, and planning.
2. To discuss land acquisition.

RETURN TO REGULAR SESSION

The Board ended executive session and returned to regular session at 12:37 p.m. No action taken.

SET NEXT MEETING DATES

The following meeting dates were set:

1. Tuesday, May 18, 2021 – 10:00 a.m.
2. Tuesday, June 15, 2021 – 10:00 a.m.
3. Tuesday, July 20, 2021 – 10:00 a.m.

ADJOURNMENT

Upon motion by Newark, seconded by Milford, the Board Meeting adjourned at 12:37 p.m.