

DELAWARE MUNICIPAL ELECTRIC CORPORATION  
**REGULAR MEETING**  
DEMEC ADMINISTRATIVE BUILDING  
SMYRNA, DELAWARE  
**May 10, 2022**

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday, the 10<sup>th</sup> day of May 2022 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:14 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  
Andrew Haines, Director  
Representing Smyrna  
Mary Ellen DeBenedictis, Director  
Representing Clayton  
Austin Calaman, Director  
Representing Lewes BPW  
Kim Bellere, Alternate  
Representing Lewes BPW  
Tom Coleman, Director  
Representing Newark  
David Del Grande, Alternate  
Representing Newark  
Scott Blomquist, Director  
Representing the MSC of New Castle  
Charles Anderson, Director  
Representing Seaford  
June Merritt, Alternate  
Representing Seaford  
Mark Whitfield, Director  
Representing Milford  
Kimberly Schlichting, President  
Representing DEMEC

Absent:

Cassandra Young, Alternate  
Representing Smyrna  
JJ Burnett, Alternate  
Representing Clayton  
Dr. Roy Sippel, Alternate  
Representing the MSC of New Castle  
Louis Vitola, Alternate  
Representing Milford

DEMEC Staff Attending: Stephanie Dove, Chief Financial Officer & Interim COO; Kendra Friel, Training & Events Coordinator; Emily Greene, Compliance Administrator; Stephan Siok, Director of Beasley Plant Operations & Compliance

Guests and Attendees: Max Walton, Attorney, Connolly Gallagher

## **APPROVAL OF MINUTES**

The minutes of April 19, 2022 were moved to the June agenda for approval.

## **TREASURER'S REPORT**

### **Monthly Financial Report – March 2022 –**

Ms. Stephanie Dove, Chief Financial Officer and Interim COO reviewed the March 2022 Monthly Financial Report. Year to date demand through March was up 2.2%. It was up 1.4% over the prior March, which is normal load growth. April and May are anticipated to be much the same.

In the Unrestricted Cash on Hand portion of her report, Ms. Dove explained what has been happening with margin calls starting in March given DEMEC's favorable power supply portfolio, some contracts do not expire until 2027. Ms. Dove noted that the market is experiencing a high level of volatility and with that DEMEC has been requiring collateral of our counterparties to guarantee power supply from those contracts at the contracted rate. Since March DEMEC has been doing collateral calls back and forth daily, this level of activity has not been seen since 2009. Current cash on hand reflects collateral deposits from suppliers that will need to be paid back. She explained further that these deposits are why the cash on hand is reflecting a 28% increase when it is up only 9% in reality. The fund is expected to rise in April. It is too early to predict May's growth. This volatility is not anticipated to end soon and may be present through the end of DEMEC contracts in 2027. This is favorable as it reflects the attractiveness of DEMEC's power supply contracts.

Ms. Kimberly Schlichting, President and CEO, added for history perspective that this is the first time we have seen collateral activity like this since 2009. Back in 2009 DEMEC did not have the cash reserves on hand nor the lines of credit we currently hold. To avoid cash calls on the members, DEMEC obtained a line of credit to allow us to timely respond to collateral transfers in a volatile market to avoid penalties and/or breach of contracts.

The Rate Stabilization Reserve (RSR) balance is 6% lower than March 2021. This is the result of under collection and is typical for January through May. Totals appear higher because market prices are higher.

Income was up 43.8% over March 2021. This is due to increased sales to members, rises in PJM's market and generation revenues, and power purchases. Ms. Dove noted that higher revenue does not completely offset the higher cost.

In her review of the 1<sup>st</sup> Quarter Investment Report, Ms. Dove noted the investment value is slightly down and reflects an increase of 1.5% over the life of the portfolio. With increases from the Federal Reserve this number is anticipated to rise.

The Spring/Summer Forecast reflected similar demand in April and May. The months of June through August are expected to have average conditions and possibly be stormier. DEMEC will continue to monitor.

Ms. Dove concluded with a Finance Update. She noted that DEMEC is working with PFM & bond counsel to finance the Middletown and New Castle AMI projects. She reviewed projects in the pipeline.

Upon motion made by Newark, to approve the Monthly Financial Report for March 2022, seconded by Smyrna, the motion passed unanimously.

Investment Report – Q1 –

See Monthly Financial Report – March 2022.

**APPOINTMENTS/ELECTIONS**

None.

**PRESENTATIONS**

None.

**RESOLUTIONS**

RESOLUTION 2022-1 - A RESOLUTION AUTHORIZING THE DELAWARE MUNICIPAL ELECTRIC CORPORATION TO UNDERTAKE AN ADVANCED METERING INFRASTRUCTURE PROJECT FOR THE MUNICIPAL SERVICES COMMISSION OF THE CITY OF NEW CASTLE, DELAWARE; AUTHORIZING THE EXECUTION OF THE NECESSARY AGREEMENTS AND CONTRACTS IN CONNECTION THEREWITH; AND DECLARING THE OFFICIAL INTENT OF DEMEC TO REIMBURSE CAPITAL EXPENDITURES RELATING TO THE PROJECT FROM PROCEEDS OF INDEBTEDNESS

Ms. Dove explained the purpose of the resolution and why it is needed for the New Castle AMI project to move forward with contracts and financing.

Upon motion made by Milford, to approve Resolution 2022-1 - a resolution authorizing the Delaware Municipal Electric Corporation to undertake an advanced metering infrastructure project for the Municipal Services Commission of the City of New Castle, Delaware; authorizing the execution of the necessary agreements and contracts in connection therewith; and declaring the official intent of DEMEC to reimburse capital expenditures relating to the project from proceeds of indebtedness, seconded by Clayton, the motion passed unanimously.

**COMMITTEE REPORTS**

Executive Committee –

Mr. Morris Deputy, Director representing Middletown and Board Chair, shared Executive Committee Meeting discussions and that an item will need to be discussed in executive session. A meeting of the committee will be held next week to review CEO evaluation criteria. Priority hires were also discussed with Ms. Schlichting, and she will be moving forward as discussed.

Finance Committee –

Mr. Charles Anderson, Director representing Seaford and Board Treasurer, noted that the next Finance Committee meeting has been moved to May 24<sup>th</sup>, 2022. A report will be provided at the next board meeting.

**PRESIDENT’S REPORTS TO BOARD**

Legislative Update –

Ms. Schlichting presented this update. She noted the net metering bill may be introduced as early as tomorrow. Staff has worked with DPL and the Coop, and language has been agreed upon by the utilities. She explained the amendments remove payments for generation overproduction, removes the requirement for utilities to pay for owners’ meters, and it raises the net metering cap from 5 percent to 8 percent; percentage calculations which will be consistence amongst all utilities. She noted that compromises were made but staff is in support of the bill as it is now written. The prospect of a Net Metering 2.0 bill is also being discussed. That discussion is not expected to be of concern until next year.

A discussion ensued on the contents and effect of the bill on DEMEC members. Ms. Schlichting explained that utilities will no longer be required to pay for overproduction from oversized systems. She noted that DEMEC staff will be sharing recommended language for members’ interconnection agreements to update and ensure proper infrastructure costs for interconnection are being recovered through the agreements.

Rate Study –

The rate study was temporarily placed on hold to allow staff to review and verify data.

Joint Training Yard –

Approvals from the Kent Conservation District are needed to proceed. DEMEC Staff is working to organize an Apprentice Training to take place at the DEMEC Training Facility. Once approvals are in place, construction of the training yard should only take a few days according to the contractor.

Job Descriptions –

To be covered in executive session.

Indian River -

DEMEC submitted a protest filing last Friday. This letter is available for review on BoardPaq. Next steps are to find a partner to share the cost for discovery data and securing a consultant. If FERC goes to settlement DEMEC will then be prepared to participate in discussions. Ms. Mary Ellen DeBenedictis, Director representing, Clayton, asked if any others have submitted letters of

protest. Ms. Schlichting confirmed several intervenors have done so. Further discussions will take place in executive session.

Laurel Hill –

An agreement with Duke Energy was proposed by DEMEC staff as a follow up to the May 3<sup>rd</sup> board meeting. This will allow DEMEC to collect additional capacity and ancillary service revenues from the wind farm. A PJM Interconnection Study application fee of approximately \$150K is required and is proposed to come from the capacity line item in the current budget. The benefits of the agreement and application timeframe were discussed, as well as delays currently happening at PJM.

Upon motion made by Newark, to enter an agreement with Duke Energy for capacity revenues and other ancillary services from Laurel Hill, seconded by Smyrna, the motion passed unanimously.

Budget Amendment -

Regarding expected Indian River cost allocation to DEMEC beginning June 1, 2022. To be covered in executive session.

**COMMUNICATIONS & OUTREACH**

Standing on report.

**TRAINING & EDUCATION ACTIVITIES**

Training & Events Report –

Standing on report.

**SUSTAINABILITY & DEVELOPMENT**

Standing on report.

**IT UPDATE**

None.

**BUSINESS FROM THE FLOOR**

Mr. Scott Blomquist, Director representing the MSC of New Castle, asked what can be expected next with regards to the natural gas price spike. A brief discussion ensued.

Mr. Tom Coleman, Director representing Newark, suggested the adoption of a consent agenda. A discussion was had about reporting, timelines, and other subjects of note. It was decided that a consent agenda would be developed for the board to review.

Mr. Andrew Haines, Director representing Smyrna, proposed a change to the monthly board meeting date to accommodate the President & CEO's required attendance at the AMP board meetings. Dates and other scheduling concerns were discussed. It was decided a survey of potential dates would be provided to board members.

### **EXECUTIVE SESSION**

The Board went into executive session at 10:58 a.m. upon motion made by Clayton, seconded by New Castle, to discuss the following:

1. To discuss personnel actions, strategic business and commercial generation operations, dispatch, negotiations, and planning.
2. Budget Amendment

The Board ended executive session and returned to regular session at 12:17 p.m.

### **RETURN TO REGULAR SESSION**

No action was taken.

### **SET NEXT MEETING DATES**

The following meeting dates were set:

1. Tuesday, June 21, 2022 – 10:00 a.m.
2. Tuesday, July 19, 2022 – 10:00 a.m.
3. Tuesday, August 16, 2022 – 10:00 a.m.

### **ADJOURNMENT**

Upon motion by Smyrna, seconded by Newark, the Board Meeting adjourned at 12:18 p.m.